REGIONAL COOPERATION FOR DEVELOPMENT

THE SECRETARIAT

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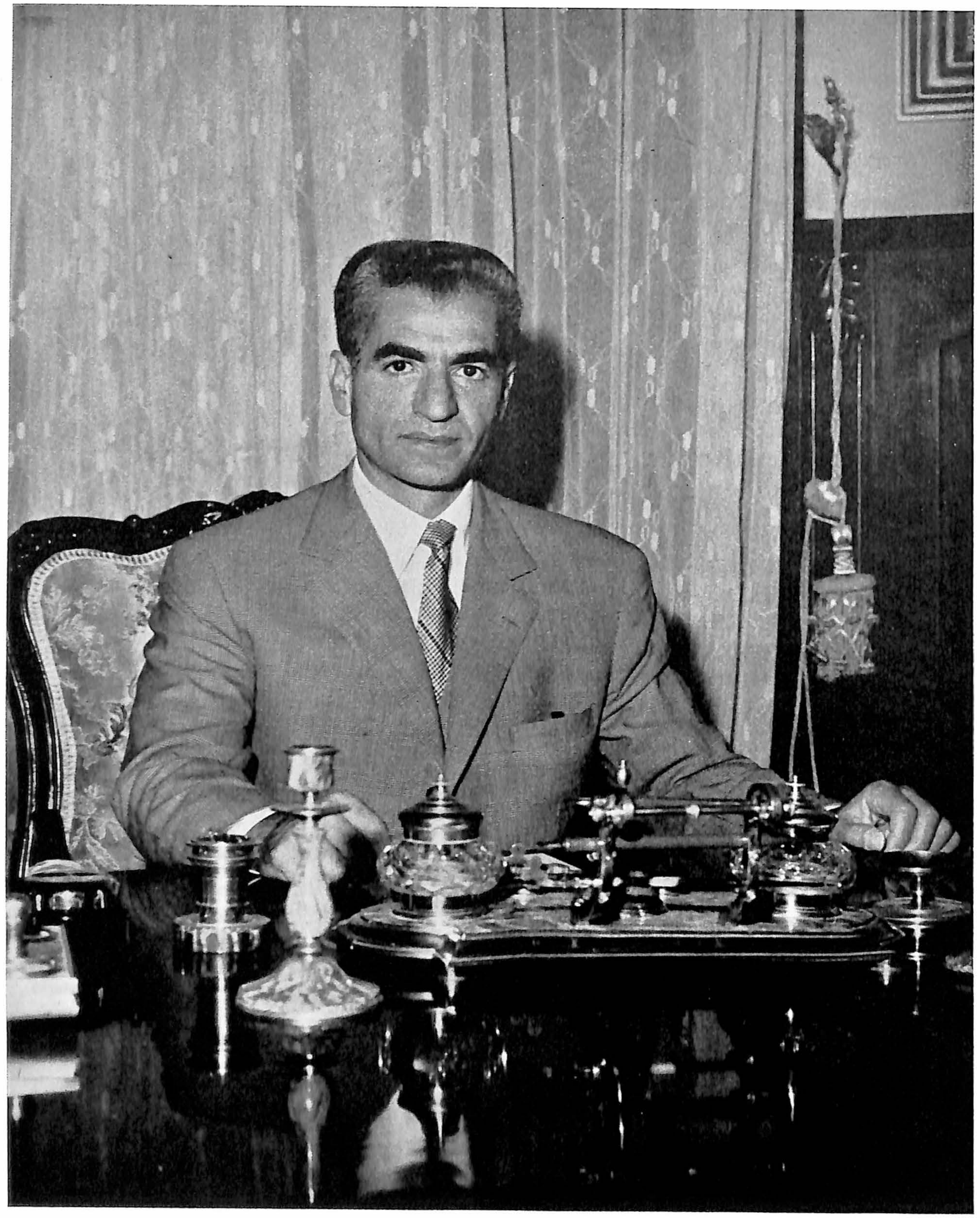
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His Imperial Majesty Mohammad Raza Shah Pahlavi
Shahinshah of Iran

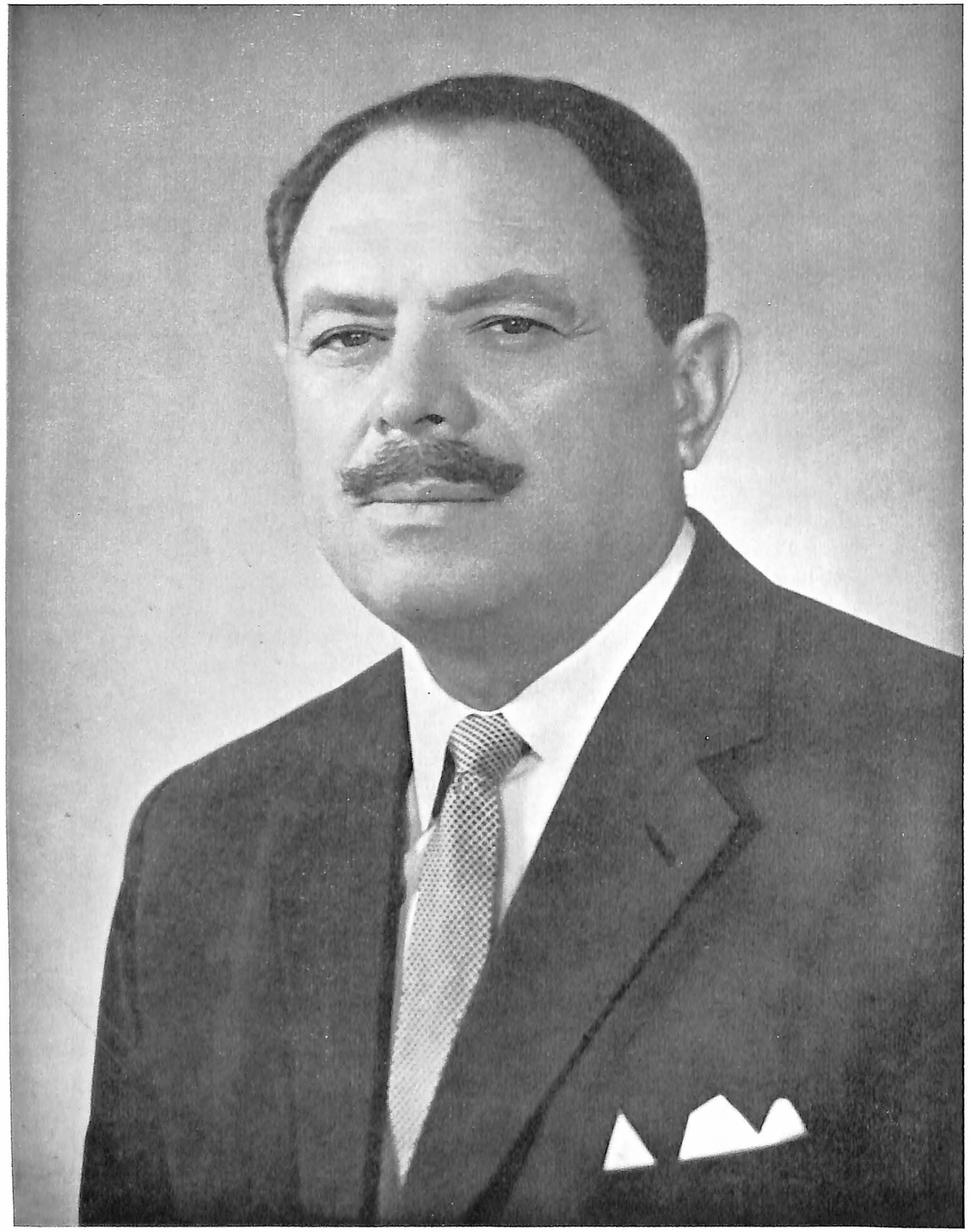
Message of

HIS IMPERIAL MAJESTY THE SHAHINSHAH OF IRAN

It is with genuine satisfaction that on this happy occasion, the eve of the first Anniversary celebrations of Regional Cooperation for Development, I recall my visit last year to Turkey, our friend and ally, to participate in the memorable Istanbul Summit meeting which resulted in laying the foundation of the regional agreement known as the Regional Cooperation for Development. The need for such a regional arrangement aiming at the economic, cultural and technical cooperation of the three neighbouring countries, and indeed of other interested countries of the area to promote further the welfare and economic advancement of their peoples had been felt for some time.

It is gratifying to observe that the dedicated and sincere collaboration of our three nations in the course of the past twelve months has brought us nearer to the fulfilment of the aims and objectives of our Tri-Partite cooperation. The success of our endeavours, even within the short period under review, is I believe above all due to the fact that regional cooperation for development has provided a framework within which the age-gold desire of our three peoples for a closer and still more cordial association has found organizational expression in trade and industry, as in scientific and cultural exchange among our countries.

Our short but impressive record justifies the optimism that we can look forward with greater confidence to still worthier accomplishments in the years to come. To all of our Turkish and Pakistani brothers we extend our warmest salutations.



Field Marshal Mohammad Ayub Khan, N. Pk., H. J.
President of Pakistan

Message of
PRESIDENT OF PAKISTAN

PRESIDENT'S HOUSE.
RAWALPINDI.

11th June, 1965.

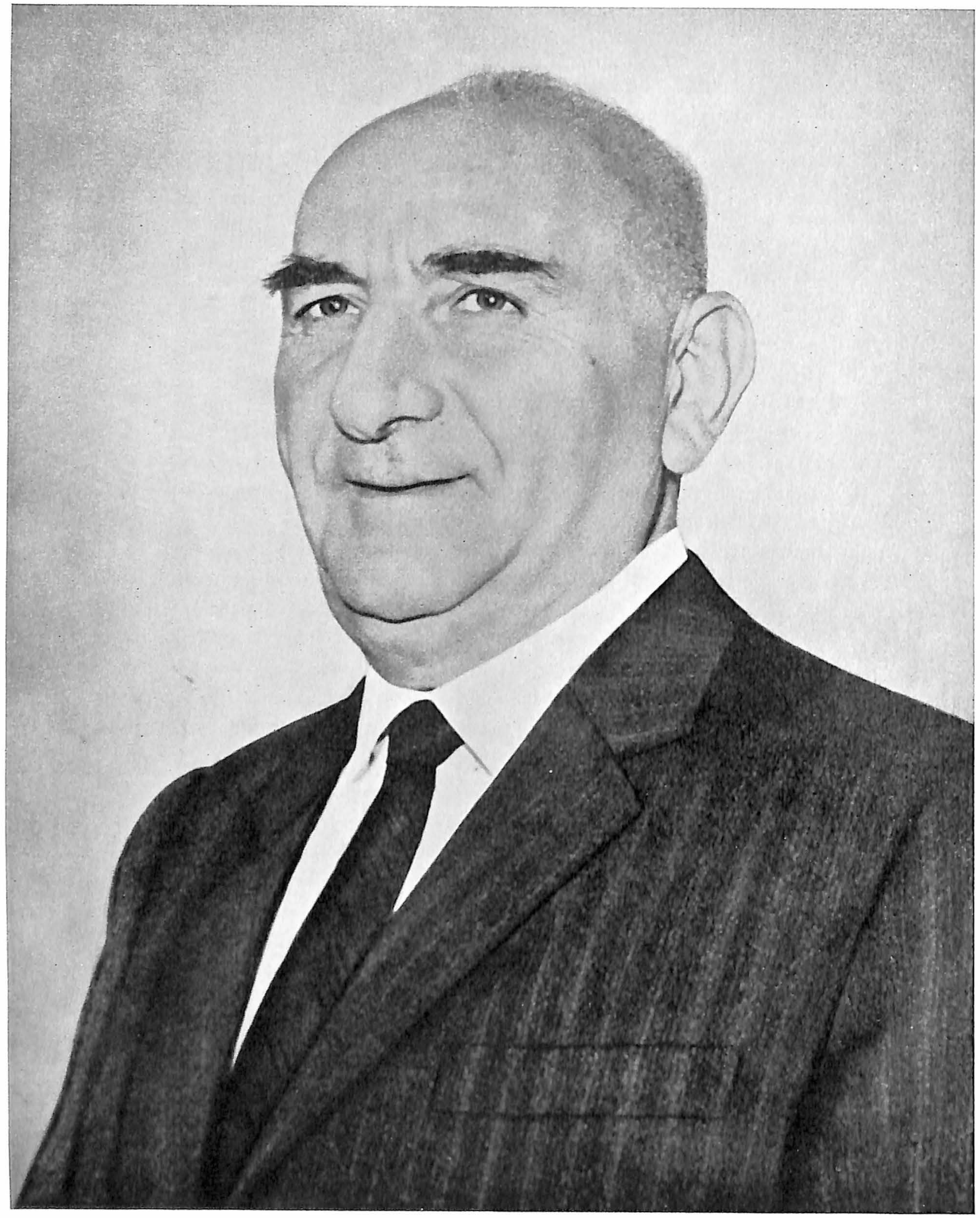
On July 21, 1965, we celebrate the first Anniversary of the establishment of the Regional Co-operation for Development between Pakistan, Iran and Turkey.

Within a year we have moved a long way in translating its main objectives into reality. Decks have been cleared, and in some cases significant advances made in the development of communications, tourism, cultural exchanges, promotion of trade and insurance and the establishment of joint purpose enterprises. We have been able to achieve all this because this Co-operation is the most natural association of countries with common historical background and common outlook for the future.

At the time of its formation, misgivings and doubts were expressed in certain quarters about its purposes and future but the actual working of this arrangement during the very first year has not only disproved them but also created an appreciation of the usefulness of such arrangements in other countries. Already economic relations between Indonesia and Pakistan have started developing on a similar pattern though without Indonesia's formal association with RCD. We would in fact welcome into this arrangement any country which wants to co-operate with us in this joint venture for raising the living standards of the peoples.

RCD has a great future and immense possibilities of good for the people of the three countries. I have every hope that the present momentum in realising its objectives would not only be maintained but stepped up in the days to come.

Field Marshal
(Mohammad Ayub Khan)
President of Pakistan.



His Excellency Cemal Gursel
President of the Republic of Turkey

Message of
HIS EXCELLENCY CEMAL GÜRSEL
President of the Republic of Turkey

On the occasion of the first Anniversary of RCD, the system of economic and cultural co-operation among Iran, Pakistan and Turkey, aiming at overall development within the Region, I greet the three Nations and express my deep pleasure in observing the successful results of their concerted activities in this Framework.

When His Imperial Majesty Mohammad Reza Shah Pahlavi, His Excellency Field Marshal Mohammad Ayub Khan and myself had first met at Istanbul, we were firmly convinced that the mutual understanding and cordiality existing among our Nations, gave us sufficient justification to initiate further collaboration among our countries in the economic and cultural fields. Our expectations were based upon the well tested qualities of our Peoples and we had profound faith in the potentials of our countries. The targets of RCD were thus defined, first, in accordance with our needs, second, our capability.

Today, after only one year since our first meeting, we have every reason to be proud of the realistic path we have chosen; for, the present achievement of Iran, Pakistan and Turkey within RCD could not be minimized and they constitute a concrete evidence for further success in our common efforts.

In our sincere devotion to the common cause of development we must be confident that the rapid materialisation of our aims will undoubtedly pave the way for further collaboration among our Nations and new horizons will be opened for us in our efforts to achieve the welfare of our countries in a foreseeable future.



Message of
H. E. MR. ABBAS ARAM
Foreign Minister of Iran

10th June 1965.

Dear Mr. Secretary General,

It gives me great pleasure on the occasion of the first Anniversary of the Regional Co-operation for Development to express warmest wishes for the successful attainment of the high ideals which inspired the illustrious Heads of the three States of Iran, Pakistan and Turkey to bring this happy association into being.

The significance of the bonds of solidarity and brotherhood which exist between the peoples of our three countries is becoming increasingly evident in the face of the present world conditions. There can be no doubt that such spontaneous international understanding and harmony are the surest guarantees for the preservation of regional stability which, while bringing extensive benefits to the peoples of the Region, render a most valuable service to world peace. It is, therefore, an elequent proof of the profound insight of the illustrious leaders that they should have so clearly perceived and responded to this pressing need of our peoples for an increasing regional co-operation in the economic, cultural and technical fields.

I have followed with particular satisfaction the excellent and reassuring manner in which the forward planning of the Organization, on which all future achievements depend, have been carried out by the respective RCD technical bodies. The method and thoroughness which underlie our approach to the activities of RCD as well as the dedication and efficiency displayed by all concerned during this first year of the life of RCD hold the most confident promise of the steady and sure realization of our aims.

I would like to take this opportunity of saying that you, as the first Secretary General of RCD, have undertaken a great task for the implementation of the measures which have to be carried out in the sphere of co-operation between the three countries, and I wish you the fullest success in your endeavours.

Please extend, Excellency, my heartfelt felicitation and appreciation to all the members of your staff as well as all those who have taken part in the work of the different Committees.

Assuring you of my highest consideration.

Sincerely yours,

Abbas Aram
Minister for Foreign Affairs.

H. E. Mr. Fuad Rouhani,
Secretary General,
Regional Co-operation for Development,
TEHRAN.



POSITIVE AND PEACEFUL ROLE OF RCD

By

MR. ZULFIKAR ALI BHUTTO, H.Pk.
Foreign Minister of Pakistan

The formation of the Regional Co-operation for Development in July 1964, represents a significant landmark in co-operation among Iran, Pakistan and Turkey. The historical links binding these three countries go back to more than a thousand years and their peoples share a common cultural background. Reza Shah Pahlevi of Iran and Kamal Ataturk of Turkey were regarded by the Muslims of the Indo-Pakistan sub-continent as heroes of the Muslim World and their example was a source of inspiration to the Indian Muslims in their struggle for freedom. It is natural therefore that Iran, Pakistan and Turkey, whose peoples share a common faith and a common cultural heritage should come together to plan for their mutual development and for the benefit of their peoples.

In this age of science and technology regional co-operation has become an important instrument in accelerating the pace of economic and cultural development. Pakistan as well as Iran and Turkey are striving to develop their economies with a view to providing a higher standard of living to their peoples. The stages in their economic development are more or less the same in all the three countries. All three suffer from the same handicaps, namely, non-exploitation and neglect of their material resources, lack of technically qualified personnel and dearth of capital.

With the establishment of RCD a beginning has been made in the fields of economic and cultural co-operation among Iran, Pakistan and Turkey. The aims and purposes of RCD are incorporated in the Joint Statement of the Heads of States of Iran, Pakistan and Turkey, who met at Istanbul on 20th and 21st July, in the following terms:

i) "Regional co-operation is an essential factor in accelerating the pace of national development and in contributing to peace and stability".

ii) "the strong cultural and historical ties which bind the peoples of their countries and have already provided them with a solid basis for collaboration, should be strengthened further and developed for the common benefit of the peoples of the entire region".

iii) "this new collaboration should be carried out in a spirit of regional co-operation".

In the world of to-day, nations—small or great must live and work in close co-operation if they are to promote the well-being of their peoples. This is particularly so for the under-developed countries which are striving to develop their economies and to meet the rising expectations of their peoples for a better and fuller life. RCD offers this opportunity to its members for achieving their common goals.

The concept of RCD and its purposes have aroused enthusiasm and expectations among the peoples of Iran, Turkey and Pakistan. The 150 million peoples of these countries provide an adequate

market for the developing industry of the three countries. The co-operation engendered through RCD is expected to result in a more broad-based economy, a more fruitful application of the factors of production, a larger marketing area, a greater bargaining position for trade with other countries and, last but not the least, the capability to undertake joint projects on a regional basis.

The concept of regional co-operation is in full conformity with the recommendations of the United Nations and its subsidiary organs—the Regional Economic Commission and the U.N. Conference on Trade and Development. The emergence of regional economic groupings enjoying a community of interest is an outstanding feature of the present day for accelerating the pace of economic growth. Planning in the economic field and promotion of intra-regional trade are universally recognised to be necessary for the promotion of economic development. In Europe, Latin America, Central America and Africa, regional co-operation has progressed in various degrees and has already brought considerable economic development to the regions concerned.

The doors of RCD are open for other regional countries to join the organisation as a whole or only in some spheres of its activities, if they so wish.

Some countries have shown an interest in RCD. Pakistan has already concluded a bilateral economic and cultural agreement with Indonesia on the pattern of RCD. This is yet another mile stone in constructive and fruitful co-operation between two regional countries.

It is necessary for a developing country to have peace in order to devote all her resources to developmental activities.

Indeed, Pakistan's foreign relations are based on friendship with all countries. The Constitution of Pakistan enunciates the basic principle of our foreign policy as follows:—

> "The bonds of unity among Muslim countries should be preserved and strengthened, international peace and security should be promoted, goodwill and friendly relations should be fostered and the settlement of international disputes by peaceful means should be encouraged."

Pakistan firmly believes that RCD will not only help to build and integrate the economic and industrial structure, and the cultural outlook of Pakistan, Iran and Turkey, but will also contribute towards peace and goodwill in the region.

The U.N. Secretary-General, U. Thant, warmly welcomed the formation of the Regional Co-operation for Development and termed it as an important step towards world peace and prosperity. He expressed the view that regional alliances like RCD would contribute a great deal in promoting the welfare of the peoples living in developing countries.

During the first year of its existence RCD has achieved some tangible results which augur well for the future. An Agreement for the abolition of visas between Pakistan and Iran was signed in October 1964. A similar agreement between Pakistan and Turkey had already been concluded. It has thus become possible for the peoples of the three countries to move more freely than before within the region. An Agreement on Tourism between Iran, Pakistan and Turkey was signed in October 1964, with the object of promoting tourist traffic among the three countries and increasing the flow of tourists from other countries into the region. The surface postage rates in the three countries were reduced to internal levels from December 1964, and the telephone and telegram rates among these countries have also been reduced considerably. As many as ten (10) different places on the Iran-Turkish border and the Iran-Pakistan border have been identified for opening Post and Telecommunications Offices. All these measures will go far to ensure speedier communications between the peoples of the region and thereby help to promote better understanding among them. It has also been decided to establish a Conference of Shipping Companies of Iran, Pakistan and Turkey. Pakistan and Turkey

concluded a Trade Agreement in December 1964 for the promotion and expansion of trade between the two countries. A similar agreement was already signed between Pakistan and Iran. The Constitution of the Joint Chambers of Commerce and Industry to be set up by the Chambers of Commerce of the three countries has already been approved. The Joint Chambers of Commerce and Industry will foster and develop intra-regional trade and investment opportunities. Nineteen different types of Industries have been identified for development as Joint purposes enterprises. The possibilities of establishing an RCD Commercial Bank are being explored and the question of establishment of a Joint Airline is under discussion. A general Agreement on Technical Co-operation has been approved. A Regional Cultural Institute has been established at Tehran to promote a closer understanding of the common cultural heritage of the three countries. These and other measures taken under the auspices of RCD are indicative of the positive and constructive role it is destined to play in bringing about economic and cultural integration of the three countries and in raising the standard of living of their peoples.

A promising beginning has been made for planning for regional development. The task lying ahead is as vast as it is challenging. Much hard work, courageous planning, bold imagination, and great patience will be needed. With complete understanding and goodwill among the partners, with faith in God and confidence in themselves, the RCD member countries, under their respective dynamic leadership, will go ahead and bring about regional economic integration and greater cultural cohesion, which will not only provide for a better and fuller life for their peoples, but will also prove to be a bulwark for peace in the region.



STATEMENT OF

HIS EXCELLENCY HASAN ESAT ISIK

Foreign Minister of Turkey

In the usually complex and sometimes apparently vague context of international relations it is nevertheless quite evident that certain basic factors always deserve extra priority in the determination of the foreign policy of a Nation. These determining factors are mostly of a constant nature and they may summarily be defined as the geo-political and socio-economical conditions. To these a human factor can also be added which directly emanated from the people and guide the decisions of the governments very strongly.

Modern Turkey's course of action in the international scene, being of no exceptional order, is likewise dominated by these factors. The tripartite co-operation among Iran, Pakistan and Turkey was without any doubt a result obtained by the common action of the same factors.

RCD is a regional arrangement among three Nations cherishing deep feelings of amity and mutual understanding, aiming at further and closer co.operation in the economic and cultural fields. The efforts of Iran, Pakistan and Turkey within this framework are primarily directed towards facilitating their development through concerted action whenever possible.

In the Summit Conference of Istanbul among the Heads of States and Governments, a programme was drawn up and the guidelines of joint efforts were defined. Today we mark the first anniversary of this meeting and are able to observe that in most of the fields of collaboration, joint action yielded substantial progress in one year. The achievements in the fields of shipping, roads and railways, telecommunications, banking and insurance, trade, tourism and cultural co-operation already augur well for further collaboration within RCD and the rapid implementation of the measures formulated in conformity with the needs of the three Regional countries will no doubt accentuate the positive role that RCD can play in the attainment of economic development within the region.



GROWTH WITH STABILITY

By

MR. MOHAMMAD SHOAIB, H.Pk.

Finance Minister of Pakistan

The economy of Pakistan during the last five years has shown an almost remarkable dynamism and has on many economic strategic fronts surpassed the projections of the planners, projections which, by many people well qualified to judge in this sphere, were thought to be too optimistic in their assessment of the growth possibility of Pakistan. However, what many of those people had not taken into account was the tremendous value to economic growth which is to be found in political and administrative stability.

The foundation for what Pakistan can rightly claim has been a brilliant economic performance, was laid during the period of 20 months between the Revolution of October 27th, 1958, and the inauguration of the Second Plan on July 1st, 1960. During that time order was created out of the economic and financial chaos which had been prevalent during previous regimes, and a period of stability began when the efforts of the nation, its people and its administrators could be directed towards the creation of a sound economic basis from which future advances could be made at an even greater pace.

During the seven years that have elapsed since that day in 1958 the country has experienced, on different occasions, such setbacks as temporary difficulties in food supplies, the depletion of foreign exchange and delays in the imports of capital goods, components and spare parts, but gradually, and I think surely, solutions have been or are being found to these problems and one can say with certainty, for the facts are there for all to see, the overall progress of the nation has been maintained. We can say, with pride, that a solid economic base in the shape of infrastructure and basic consumer goods industries has been created, and it is now possible to set our targets for the next five years far higher than could have been visualised five years ago.

Pakistan still faces many difficult economic and social problems. The two sections of the country, East and West Pakistan, are a challenge to the imagination and organising ability of the Government, presenting, as they do, such great contrasts in landscapes, climatic, geographic and economic conditions, posing totally different problems; in the East those of a delta region with cyclones and floods and in the West that of land ruined through waterlogging and salinity, land which must be brought back into fruitful production. But both regions are predominantly agricultural in character and both are threatened by the menace of uncontrolled population increase.

However, the regime of President Mohammad Ayub Khan, with its great recognition of the value of stability, has carried through measures of reforms in the administrative, legal, technological and political fields, which have worked a quiet revolution in the last six to seven years, and the results of these in growth on many fronts are now seen and appreciated.

Steady growth has been achieved on the industrial front which has shown a rise of 50 per cent; agricultural production has gone up by about 26 per cent and the gross national product by 29 per cent. Rapid economic progress is reflected in the buoyancy of Government revenues which have risen from Rs. 2450 million in 1957-58 to Rs, 5680 million in 1964-65, a rise of 132 per cent within seven years.

Last year, recognising the value to its industry and economy of the adoption of a policy of liberalising imports, we took the first great step in that direction, but despite that measure Pakistan's foreign exchange reserves have stayed well above the 1958 level. Bank deposits rose from Rs. 2581 million in June 1958 to Rs. 6815 million in March 1965 and there was a simultaneous rise in Bank credit from Rs. 1225.5 million to Rs. 6320 million. Monetisation of the rural sector and the rapid growth in the gross national product naturally resulted in a great expansion in money supply, which increased from Rs. 536.19 crores in June 1958 to Rs. 8719.6 million in December 1964; but the financial authorities never permitted money supply to get out of step with production. Price levels have been relatively stable, although market prices have been allowed to operate freely. Sixty-one items were released from price control in 1959, another 21 items in 1961, whilst wheat was freed from controls in May 1960.

The State Bank of Pakistan has maintained a flexible credit policy and found it possible to relax in 1961 restrictions which had been imposed in 1959. In August 1963 a quota system was introduced in respect of the scheduled banks' borrowings against Government securities from the State Bank. In order to assist industrial development the restrictions on capital issues by joint stock companies have been considerably relaxed. Many of the foreign exchange difficulties of entrepreneurs in respect of new industries have been solved through the Pakistan Industrial Credit and Investment Corporation, and the procedure of issuing licences to importers has been simplified. A continual watch is kept on all these fields of activity, to see how conditions can be made easier for the development of industrial and agricultural enterprise.

All these measures have considerably strengthened the economy of the country and yet it is noteworthy that during the period 1957-58 to March of this year the cost-of-living index for industrial workers rose only by 10 points (from 123 to 133.) The Governments of the pre-Revolution period paid only lip service to the First Plan and did not mobilize the necessary resources in men and money to carry through its execution. The implementation that did take place of the First Plan was again due to the efforts of President Ayub who harnessed the entire resources of his Government and the nation to carry out that Plan in the year and a half that was left.

The Second Five-Year Plan, which started in July 1960, and so is nearing completion, envisages an investment of Rs. 23000 million with a target of 24 per cent increase in national output. That investment target has been surpassed to the extent of Rs. 2000 million. Private enterprise has played a key role in the achievement of the Second Plan with its share of Rs. 8380 million out of Rs.23000 million.

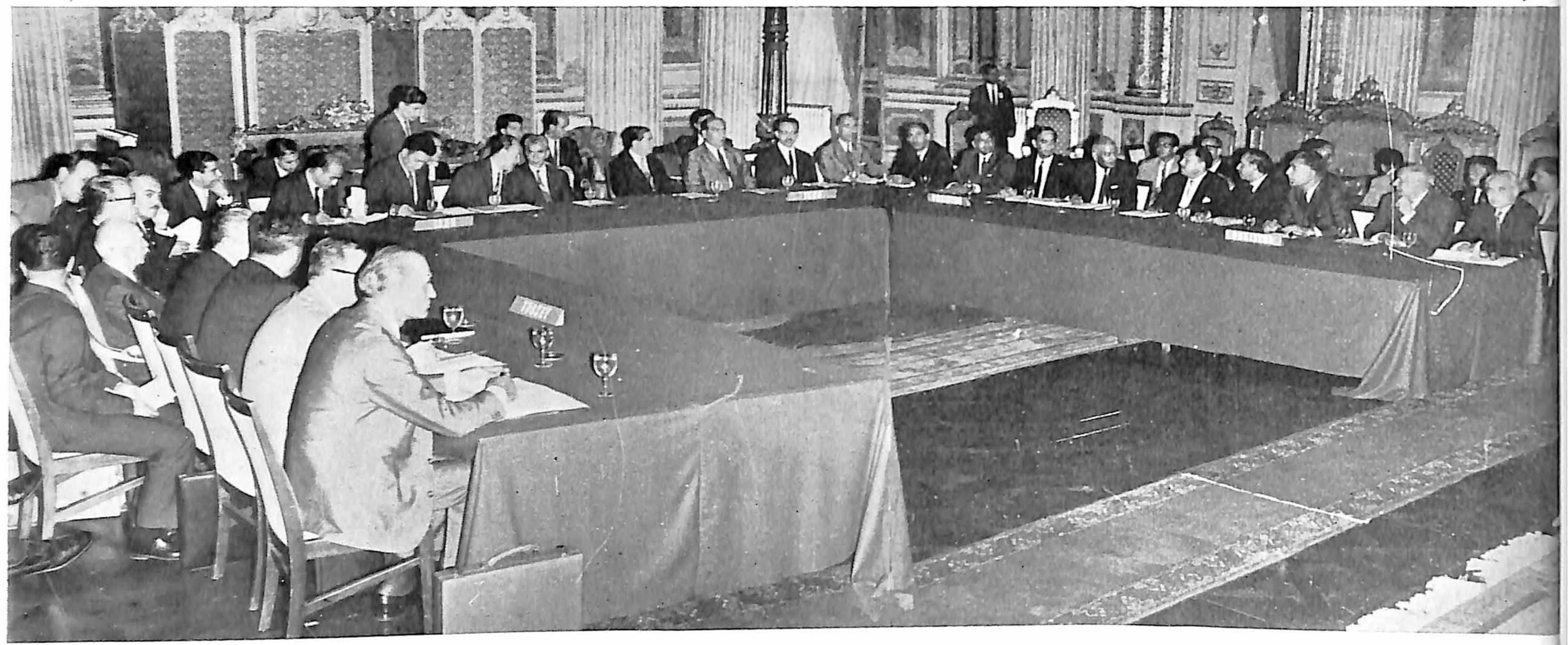
Foreign assistance has contributed significantly to our development. Capital goods, raw materials, spare parts and fuel for industries, fertilizers and insecticides for agriculture and food for our people are amongst the things which we have received through foreign assistance. Through a group of friendly countries, sponsored by the World Bank, Pakistan has been pledged Rs. 7020 million for the first four years of the Second Plan and Rs. 2047 million for the fifth year. Thus the total foreign assistance amounts to over Rs. 9060 million. The block of countries led by the USSR and China has also come forward to assist Pakistan in her economic development and upto March 31, 1965, the coun-



President Ayub Khan with President Cemal Gursel (right) and Prime Minister Mr. Ismet Inonu (left) before formal talks in Ankara. Mr. Z. A. Bhutto is on extreme left.

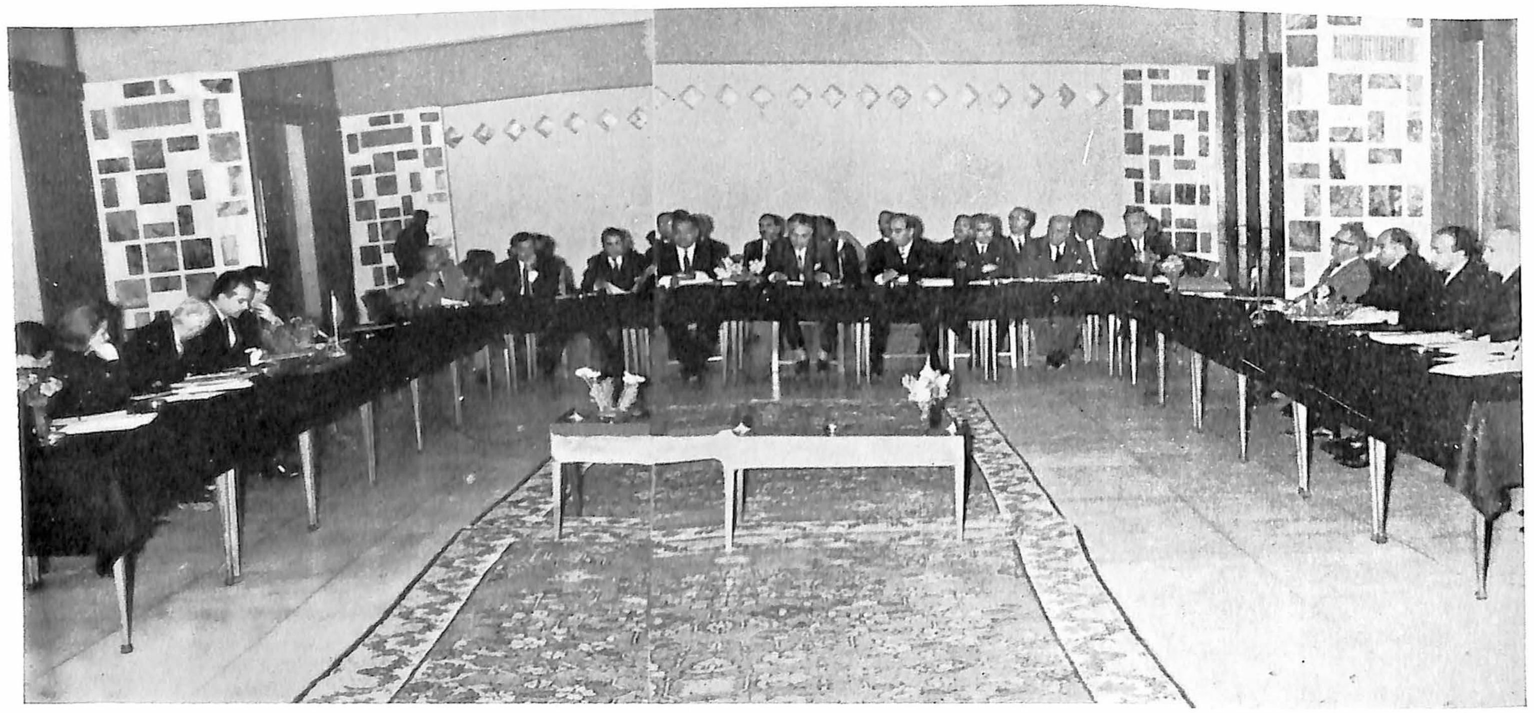


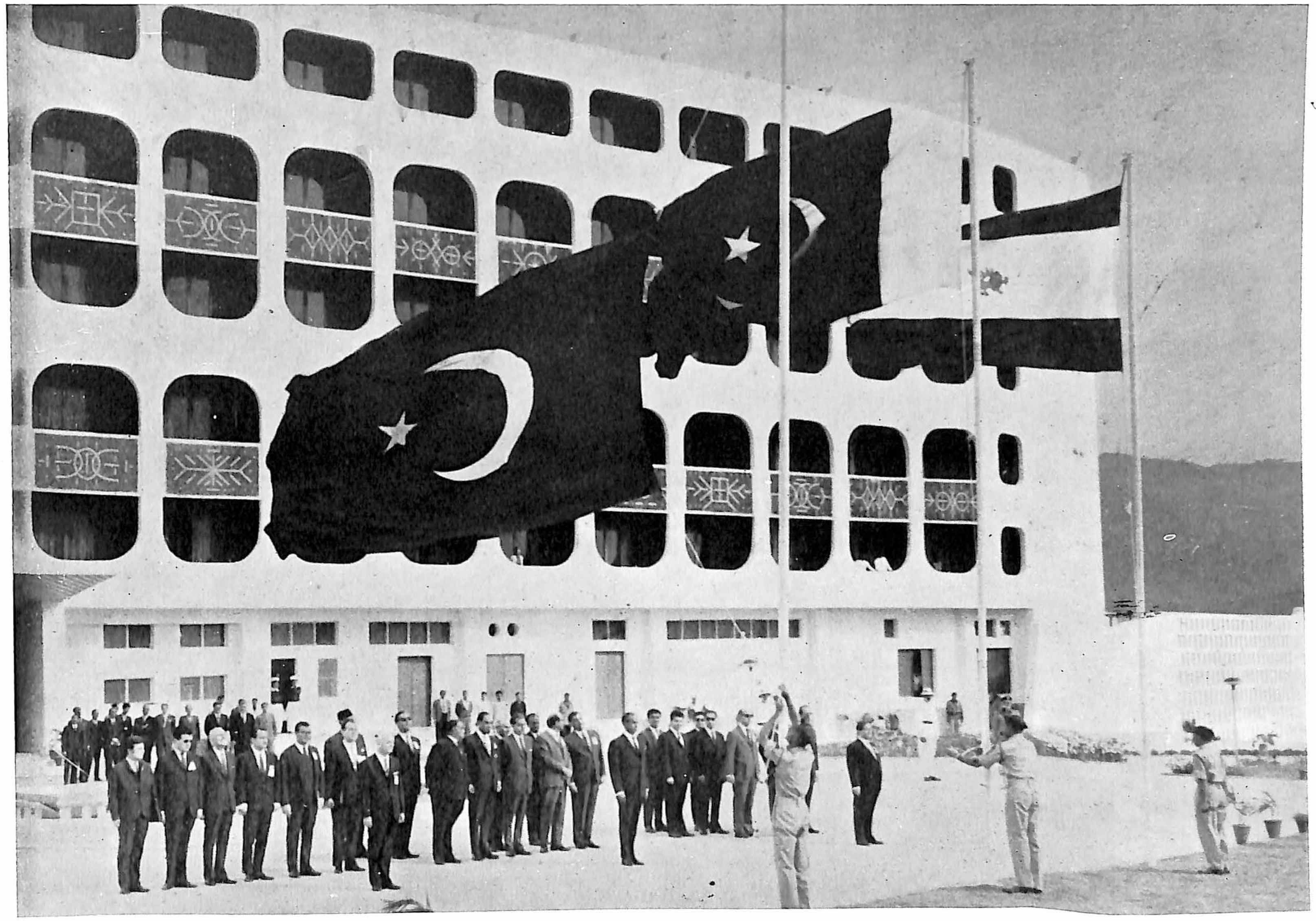
President Mohammad Ayub Khan talking to President Cemal Gursel of Turkey and His Imperial Majesty the Shahinshah of Iran at the summit meeting in Istanbul on July 21, 1964.



A general view of the Istanbul Conference on July 21, 1964.

The opening Session of the RCD Regional Planning Council was held at Pakistan House in Islamabad on March 13, 1965.





Members of delegations of Iran, Pakistan and Turkey lined up in front of Pakistan House, Islamabad, for the hoisting of National flags before the inauguration of Second Meeting of RCD Council of Ministers on March 18, 1965.



A view of the concluding session of the RCD Ministerial Council in Islamabad on March 19, 1965.

President Mohammad Ayub Khan presiding over the Ministerial Council meeting of the RCD held in Islamabad, on March 18, 1965.



tries of that block have pledged assistance to an amount of Rs. 740 million, China taking pride of place with Rs. 285 million as an interest-free loan.

The Third Five-Year Plan, which begins in July this year, envisages a total gross expenditure of Rs. 52000 million, of which it is intended that only 36 per cent should be sought from foreign resources. Efforts will be made to make the country self-sufficient and to channelize our own savings into investments, to harness our export potential to import requirements and develop our technical skill and manpower resources. The Third Plan is designed to put the country still further along the road to self-sufficiency. We know that foreign trade plays a crucial role in our economic development and the Government is anxious to make certain that it expands in the way most beneficial to our economy. Our liberal import policy has been followed in order that as many as possible of the demands of industry and agriculture for those things needed to improve and maintain their efficiency shall be met. An export drive has also been undertaken to balance the increase in imports, and between 1957-1958 and 1963-1964 there was a 62 per cent expansion in exports.

The Export Credit Guarantee Scheme and the Export Bonus Scheme have contributed significantly to the increase in our export trade. The former is an arrangement for insuring Pakistani exporters against loss not normally covered by conventional insurance, which they might suffer as a result of a foreign buyer defaulting on his obligations. Such losses are covered to the extent of 75 per cent for commercial risks and 85 per cent for political risks, the remaining balance of any loss being borne by the exporters.

The Export Bonus Scheme gives stimulus to the export trade and helps us to introduce our manufactures into world markets.

The success of these two schemes can be gauged by the fact that Pakistan's exports increased from Rs. 1421.7 million in 1957-58 to Rs. 2299.1 million in 1963-64. During the same period imports increased from Rs. 2050 million to Rs. 4430 million, but the Government has encouraged the import of capital goods, raw materials and essential consumer goods, all needed by the country in its economic development struggle. International trade presents a challenge to Pakistani exporters and our manufacturing industry. Raw cotton, jute, wool, hides and skins are our traditional commodities for export but, with the exception of jute, they face stiff competition. Other products have to be standardised in order to gain a secure foothold in world markets.

During the period 1952-53 to 1962-63 our sports goods industry multiplied its exports three-fold, but we have yet to make our mark in other manufactures. Jute is an exception, for this staple fiber and its manufactures continue to be much in demand and our export of the latter increased 18 fold between 1954 and 1962. It brought in foreign exchange worth Rs. 317.1 million in 1962-63 and Rs. 341.2 in million 1963-64. Cotton yarn and piecegoods earned foreign exchange worth Rs. 115.3 million in 1963-64. These and other manufactured products earn annually, as a result of industrialization, over Rs. 500 million or between 23 per cent to 25 per cent of export earnings. Good as this record may be, we know the situation offers no ground for self-congratulation and that the price of progress must be continued and even harder effort.

Though inflation has been kept under control, the standard of living of the ordinary man must be raised still further and with greater rapidity. The mechanisation of agriculture, the development of medium-sized industries based on the country's own raw materials, and the growth of the co-operative sector as a balancing factor between the private and the public sectors are policies designed to relieve tensions in the social structure during this period of rapid growth. Monopolistic tendencies will have to be avoided and everything possible done to ensure the greatest possible distribution of the benefits

resulting from economic growth. Investment is not enough, we must see that its fruits are shared by all who have worked and sown the seeds from which this development has sprung. In this way we can maintain that atmosphere of political stability which, since 1958 has been the basis of our advance and a continuation of which will lead to less speculation and even greater economic growth and security.

Much remains to be done towards the solution of the problems of unemployment, poverty and malnutrition, hunger and want and towards the creation of a pattern of social justice, which will prevent conflicts that could disturb the harmony of the social edifice and so delay the realisation of Islamic socialism which President Ayub Khan has proclaimed as the objective of the Third Plan. These are the human aspects of the economic problem, and so demand consideration at every step and greater effort from the nation to solve them.

The evolution of a social system based on a more equitable distribution of wealth—or the benefits derived therefrom, will lead to a diffusion of prosperity which at present tends to be stratified. A reduction in the need for foreign aid, leading to its eventual elimination as an important factor in our growth, will bring us true economic independence. Closer collaboration with the Muslim countries of the Middle East in trade and culture and the solution of long-standing political disputes will help to create a healthy climate for investment and development and bring to us all that stability which enables man to turn his efforts to economic problems and their solution—to direct his attention to those things which will better the lot of himself and his fellow men.



PLANNING IN PAKISTAN

By

Mr. SAID HASAN, H.Q.A.,

Deputy Chairman, Planning Commission

and Minister for Planning and Economic Affairs

Government of Pakistan.

> "The nation aspires to a standard of living for all its people as high as can be achieved with the resources available to it; equitable distribution of wealth; education of all in accordance with—their talents; victory over disease; adequate facilities for transport and communications so that the nation may be effectively unified economically and socially; and evolution of the national culture in literature and science. The above are the social and economic objectives of Pakistan's Planning".[1]

Among the developing countries of today, Pakistan has come to be regarded by some as a model developing country. In the face of numerous handicaps, including a rapidly increasing population, geographical separation of East and West Pakistan by a thousand miles of unfriendly territory of India, disparities of economic standards and variations of language and custom, and the havoc caused by repeated floods and cyclones, the young nation, hardly 18 years old, has made amazing efforts towards reaching a state of self-sustaining economic growth in the shortest time with courage, determination, skillful planning, hardwork and sacrifice.

PLANS OF PAKISTAN

(a) Six-Year Development Programme (1951-57)

The people of Asia have long felt the pressure of poverty and hunger. With the dawn of Independence in 1947, Pakistan realised that independence alone could not relieve this desperate situation. It made a new approach to the problem of raising the living standards by developing national resources. It also realised that activities in the economic field should be greatly extended and government should grapple with the problems of promoting economic improvement which was indispensable to social stability and necessary to strengthen their free institution as the political stability of the country was dependent upon economic viability and nothing could do more to strengthen the cause of freedom.

1 The Second Five-Year Plan of Pakistan (1960-65)

In 1947, at the outset of its existence as a separate country, Pakistan confronted with innumerable problems, principal among them being the rehabilitation of nearly seven million refugees. At the same time large numbers of professional men, lawyers, doctors and traders left the country. Everywhere business was almost shut down, banking operations suspended and commodity markets closed. It was necessary not merely to establish a new administration, but to rearrange the entire economic and social fabric of the nation. In addition, Pakistan was still suffering from the after effects of the War. In East Pakistan dislocation and distress followed the allied armies 'scorched earth' and 'denial' policies which aggravated the effects of the great famine of 1943. The railways were over-strained and dilapidated and their equipment depleted. Chittagong Port, after years of neglect, had been subjected to intense strain during the War and was greatly in need of repair.

When Pakistan came into being, the country found itself with over 80 per cent of the world's production of jute, but with no jute manufacturing capacity. Pakistan was producing annually 200,000 tons of cotton, mainly of fine quality, but its textile industry was negligible. There were no tanneries, no woollen mills and very little other industry. It was thus inevitable that the economy of Pakistan should depend mainly on the export of its agricultural products.

In the first three years of Independence the country was largely pre-occupied with problems of an emergency character. The Government was obliged to spend large sums on the relief and rehabilitation of refugees and as such could not concentrate on a co-ordinated effort for economic development. As a matter of fact the first plan dates back to 1947-51 when attempts were made at economic co-ordination and planning in the immediate post-Independence period. In order to avoid dissipation of the limited resources of the country on less important projects and to concentrate on urgent objectives the Government of Pakistan drew up a Six-Year Plan of development which embodied the projects of highest priority. This started alongwith the inception of Colombo Plan. The programme was essentially of basic development intended to prepare the country for future advancement. It did not, therefore, aim at spectacular results in terms of living standards of the people, although a beginning would have been made in this direction if the plan was carried out. The plan was inspired not only by the desire to improve the standard of living but also by the conviction that the country was endowed with an industrious and virile people inhabiting the land whose natural resources called for a vigorous programme of development. The programme was based on the assumption that Pakistan must continue to be essentially an agricultural country but that agriculture must be carried on in the most efficient way. The public expenditure envisaged in the programme was only Rs. 260 million i.e. 2.5 per cent of the national income.

Within the Six-Year Development Programme a Two-Year Priority Programme was drawn up in order to carry out as soon as possible such of the projects in the fields of power, transport and communications etc. which would ensure statisfaction of the basic needs of the country and enable future plans to be laid on more solid foundations.

(b) First Five-Year Plan (1955-60)

The First Five-Year Plan was a comprehensive and co-ordinated attempt to harness human effort and physical resources to the maximum extent possible in order to raise the living standard of the people and to open up opportunities for a richer and more varied life and was designed to prepare the ground for rapid growth by building up the infrastructure and productive potential of the economy. It aimed at increasing national income by 15 per cent with an expenditure of Rs. 10,800 million; Rs. 7,500 million in the public sector and Rs. 3,300 million in the private sector over a period of five years.

The Plan did not receive formal approval of the Government until 1957. Full support of the Government was given to the Plan only in 1958 when the Revolutionary Regime came into power. Despite the late start, the country registered important economic advances, and the Plan targets were reached in a number of sectors, notably in industry and power development. Various organizational and institutional improvements were effected. In particular, there was unmistakable progress in the evolution of planning machinery within the Government and in public recognition of the importance of Planning and development.

The Financial resources available for development purpose in the public sector during the Plan period fell short of expectations. Excess non-development expenditure over revenue occurred in the first three years of the Plan. Foreign exchange earnings from exports fell short of Plan projections because both the volume and prices of the country's chief exports of primary commodities declined sharply and import prices increased. Cutbacks were particularly severe in imports of development goods and allocations to the private sector; serious shortages of imported raw materials and consumer goods were also experienced. Arrivals of project and commodity aid were also less than expected.

A disappointing feature of the implementation of the Plan was the failure in the key sector of agriculture. The result was that extensive imports of foodgrains became necessary; and the country spent about Rs. 700 million of its foreign exchange earnings on imported foodgrains and on the freight paid on the foodgrains received as aid, compared with Rs. 410 million provided in the Plan. Industrial production showed good growth as compared with the Plan targets, notably in cotton textiles and sugar. The performance of industry was especially impressive because it was achieved with considerably less new investment than had been anticipated. In the fuels and minerals sector, increases in output were low except in the case of natural gas, which showed substantial growth. The increase in installed electric power was close to expectations. The water development programme fell considerably behind schedule, and the acreage reclaimed form waterlogging and salinity was below the Plan objectives. Investment in railway, transport, roads, ports, civil aviation, and expansion of telegraphs, telephone, and postal facilities, was upto or above the Plan targets in most cases. Substantial increase in traffic accompanied these additions and improvements. Performance was, however, poor in the field of social development. Housing received a strong stimulus only in the last two years of the Plan; and medical, hospital and social service facilities showed only modest improvement. Education made some perceptible progress though less than as expected. Primary school enrolment increased by about 10 per cent, a little ahead of population growth; secondary school enrolment rose by 25 per cent; and the out-turn of agricultural, engineering and medical personnel increased by 30 to 150 per cent.

In financial terms the Plan target was fulfilled to the extent of about 90 per cent. The total development expenditure during the Plan period was estimated at Rs. 9,715 million; Rs. 6,315 million in the public sector and Rs. 3,400 million in the private sector. The Plan target in the private sector was surpassed. Against the Plan expectation of 15 per cent increase in national income; the actual achievement was of the order of 11 per cent. Because of the increase in population, however, the increase in per capita income was only 3 per cent, compared with the increase of 7 per cent envisaged in the Plan.

In general terms the conclusion to be drawn from the experience of the First Plan is that while progress has been a good deal less than was expected, there had been a significant improvement in the climate for economic growth, making accelerated development possible during the Second Plan period.

Conditions were ripe for taking a decisive step forward in the advance towards a self-reliant and self-sustaining economy.

(c) Second Five-Year Plan (1960-65)

The country's Second Five-Year Plan (1960-1965) aimed at mobilising the maximum internal effort towards an upward trend in per capita production and income for achieving self-sustaining growth. The Second Plan was based on the experience of the First Plan and projected a larger increase in the national income (24 per cent as compared to 15 per cent in the First Plan) and in devolopment outlay (Rs. 23,000 million as compared to Rs. 10,800 million in the First Plan). The strengthening of the planning and development machinery, reform of the entire administrative set-up of the Government, expansion of the educational system and its orientation to development needs, creation of research and training institutions, simplification of procedures for financial sanctions and projects execution and a number of other corrective measures were among the broad objectives emphasised in the Second Plan. The actual results have surpassed all expectations. The increase in national income will be 29 per cent compared to the target of 24 per cent. There was a healthy increase in almost all the sectors of the economy. Food production increased by 27 per cent, large scale industrial production by 85 per cent, investment level by 17 per cent, domestic savings by 140 per cent, exports by 45 per cent and consumption level by 32 per cent. It is a matter of great satisfaction that Pakistan financed 64 per cent of the Plan from its own resources, 14 per cent more than was originally anticipated.

One of the significant achievements of the Second Plan is the progress in agriculture. The agriculture income is estimated to have increased at the rate of $3\frac{1}{2}$ per cent per annum during the last five years compared to only one per cent per annum during the previous ten years. The transition from the stagnation of the 1950 to the rapid growth of the 1960 was made possible not by favourable weather but by a concrete set of policies. During this period, foodgrain rationing was abandoned, export duties on commercial crops were slashed, support prices of foodgrains established, land reforms introduced and all physical inputs like fertilizer, seeds and water, heavily subsidised. During the last five years,the distribution of fertilizer (in terms of plant nutrients) increased from 31,000 tons to 194,000 tons, and water availability particularly in West Pakistan, increased substantially both as a result of the programme of water development by WAPDA and the rapid expansion of private tubewells. This increase in agricultural production was the real basis of the high savings, investment and export experienced during the Second Plan period.

The liberalisation of the economic system from administrative controls has been one of our major policy decisions. At a time, when most developing economies have been imposing greater restrictions on their private sectors in them mistaken notion that this represented the essence of planned development, Pakistan has relaxed most of the controls on imports, investment and production. At a time when public sector has been encroaching upon the private sector in most of the developing countries, private sector in Pakistan has exceeded the Second Plan target by 37 per cent while there was a shortfall of 5 per cent in the public sector expenditure. At a time when certain countries are moving towards a doctrinnaire commitment to socialism, Pakistan has maintained its pragmatic attitude towards planned development. And this has yielded results as is evident from the Second Plan's performance.

Almost all sectors of the economy contributed to the growth witnessed under the Second Plan period. In fact, about 2/3 of them was contributed by the non-agricultural sectors whose weight became increasingly important in the GNP. The manufacturing sector increased as a percentage of the GNP

from 9.2 in 1956-60 to 11.0 in 1964-65. The activity in the construction sector depended to a large extent on the tempo of investment. The investment rate increased from 10.5 per cent of GNP in 1959-60 to 18.8 in 1964-65. Thus investment was an ever-rising proportion of fast increasing national income.

The development effort in the country was sustained to a larger extent by domestic resources than contemplated in the Plan actually. Domestic savings are likely to exceed Plan expectations by about Rs. 4,780 million. They would increase from 6.9 per cent in GNP in 1960-61 to 10.2 per cent in 1964-65.

Much of the additional domestic effort would have been wasted if it was not backed up by a vigorous export drive to earn foreign exchange. The country spent about Rs. 5,157 million of its own foreign exchange to development imports whereas the Plan did not expect any surplus after meeting non-development imports. Thus the country's dependence on foreign assistance has been significantly lower than forecast in the Plan. Whereas the plan expected foreign assistance of Rs. 11,550 million for an expenditure of Rs. 23,000 million, the actual utilization of foreign assistance will not exceed Rs. 9,300 million in total development expenditure of Rs. 25,530 million. Foreign assistance would thus finance only 36 per cent of the Plan expenditure instead of the expected 50 per cent.

The Second Plan was fairly successful in its basic development startegy. No significant departures were made from the sectoral allocations indicated in the plan and succeeded in achieving its basic objectives. The economy has been prepared for attaining high growth rates in investment and production. A firm basis has been laid for the second phase of economic development which has begun with the launching of the Third Plan on 1st July, 1965.

(d) Third Five-Year Plan (1965-70)

The basic strategy of the Third Plan is to accelerate further the growth rate in GNP, from 5.4 per cent to 6.5 per cent per annum, 5.5 million additional jobs are to be created to absorb not only the increase in labour force but to reduce the backlog of unemployment by about one-sixth. The total Plan size is Rs. 52 billion (roughly 11 billion) which is twice the size of the Second Plan. This expenditure includes the works programme (which was kept outside the framework of the Second Plan) but excludes expenditure on Indus Basin works which are covered by a special Treaty. Of the total Plan allocations, 13 per cent are earmarked for agriculture, 29 per cent for industry, 33 per cent for economic overheads and 26 per cent for social services and other sectors. Higher allocations are reserved for East Pakistan to accelerate its growth rate and to reduce the income disparity between East and West Pakistan.

Agriculture Growth

The Third Plan aims at a decisive increase in the agricultural growth rate from 3.5 per cent per annum in the Second Plan to 5 per cent in the Third Plan. To achieve this, the Plan will devote over 40 per cent of the total expenditure to agriculture development, directly or indirectly. Water availability will be increased by about 35 per cent in West Pakistan through a massive programme of irrigation and reclamation. Fertilizer distribution is expected to go up three times as the Government will continue to subsidise it to the extent of 50 p. c. Considerable expansion is envisaged to private tubewellsin West Pakistan and low-lift-pump irrigation in East Pakistan. These policies will be supported by extension of credit facilities, improvement in marketing arrangements and establishment of support prices for certain crops.

Industrial Growth

The primary aim in the industrial sector is to maintain the annual growth rate of 10 per cent, and

to achieve a certain degree of diversification by developing some capital goods industries. Certain industries like fertilizer and cement are required by the expanding domestic demand and there can be no question about their comparative advantage since Pakistan possesses natural raw materials for their development. Similarly, petro-chemical industries will be based on Pakistan's abundant natural gas resources. The expansion of machinetools, electrical equipment, tractors, trucks etc., will be fairly limited and constitutes only a small proportion of the total industrial investment. Pakistan's comparative advantage in these industries will admittedly depend upon manpower training, technological development and capital formation. These aspects will receive increased attention in the coming years.

Resources Mobilization

The mobilization of resources of the Third Plan will require a tremendous effort. We are hoping to save about 22 per cent of the additional income the same proportion as was saved in the Second Plan. This will still allow per capita income to increase by Rs. 63 during the Third Plan period as compared to Rs. 31 in the Second Plan, because the economic base is expanding. The basic question is to improve and strengthen institutional arrangements for saving and investment and to maintiain fiscal incentives for accelerated development. This will be the focus of our efforts.

Export Targets

The Plan suggested an export target of Rs. 4,800 million for 1969-70, compared to foreign exchange earnings of about Rs. 3,050 million in 1964-65. This represents an increase of 57 per cent in 5 years against 40 per cent expected during the Second Plan period.

Foreign Assistance

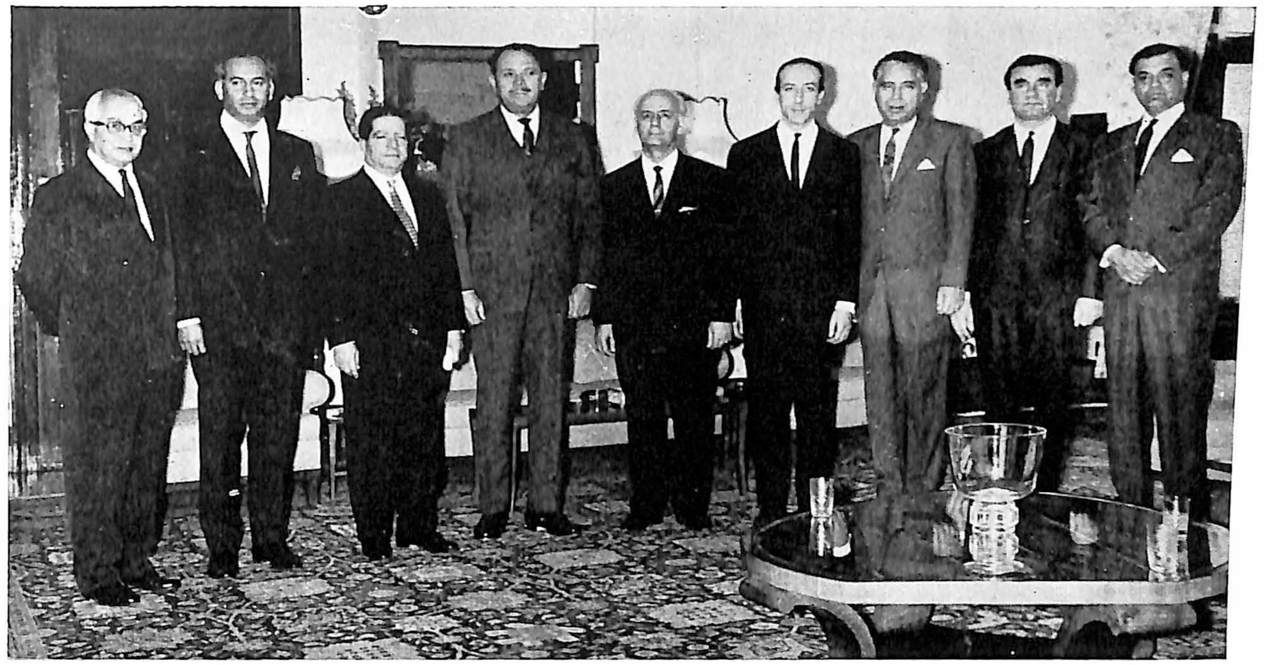
The payment of foreign loans constitutes about 10 per cent of our export earnings at present and is likely to go up to 15-16 per cent of these earnings by 1970. However, it is important to note that whereas Rs. 2,700 million are left out of country's own resources for financing its imports after paying the debt liability at present, the balance left will be over Rs. 4,000 million in 1970 despite a much higher level of debt repayment. This is because the country's exports are expected to increase from Rs. 3,050 million to about Rs. 4,800 million. In addition to the entire non-development imports, the country will devote over Rs. 7,000 million to development imports out of its own foreign exchange earnings during the Third Plan period.

Regional Development in the Third Plan

The Plan has allocated Rs. 27,000 million to East Pakistan as compared to Rs. 25,000 million to West Pakistan. The regional income is to be increased by 35 per cent in West Pakistan and 40 per cent in East Pakistan. This will constitute a decisive step towads eliminating regional disparities over the course of the next 20 years.

Employment

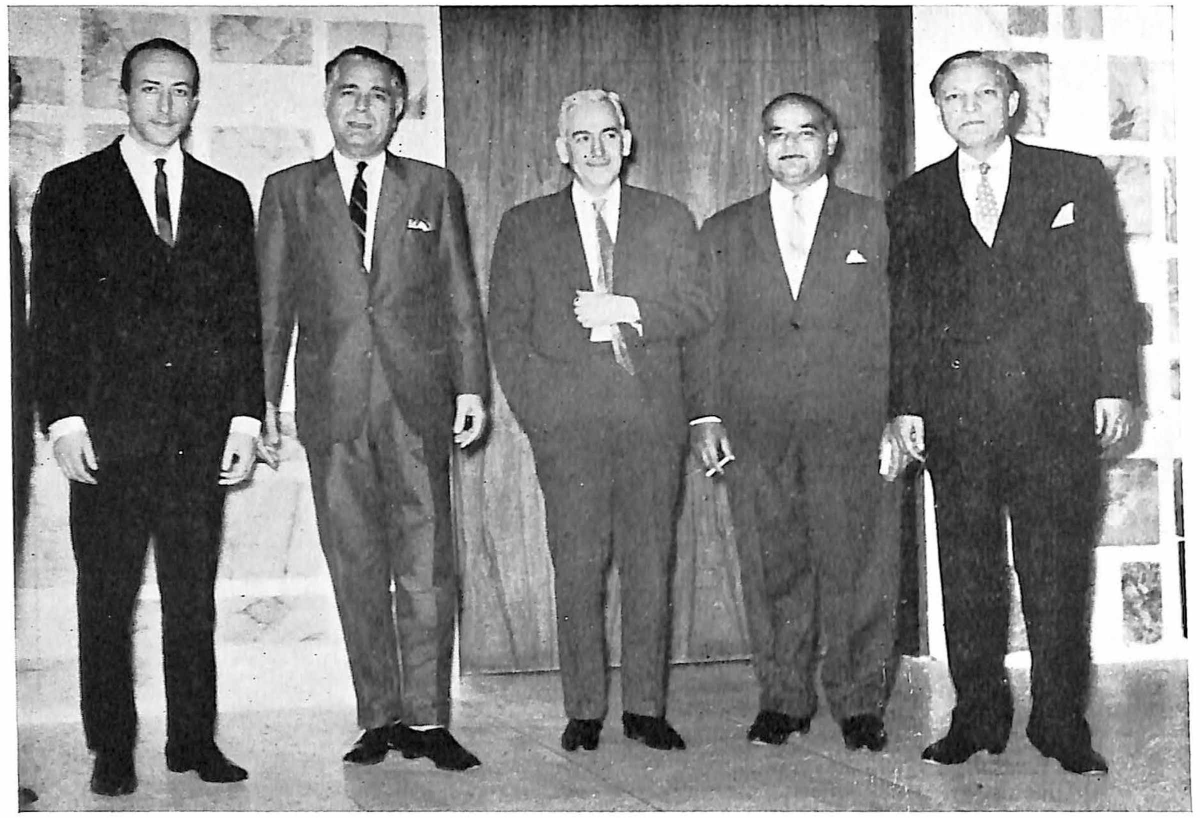
The Third Plan projects additional employment over the next 5 years at 5.5 million man years. This will not only absorb all the new entrants into the labour force, estimated at 4.2 million, but for the first time also cut sharply into the legacy of unemployment from earlier periods. This estimate of employ-



President Mohammad Ayub Khan (4th from left) is seen with the Heads of the delegations from Iran, Turkey and Pakistan to the 2nd Ministerial Council meeting who called on him at the President's House, Rawalpindi on March 18, 1965.

The RCD Planning Council delegates in Rawalpindi.

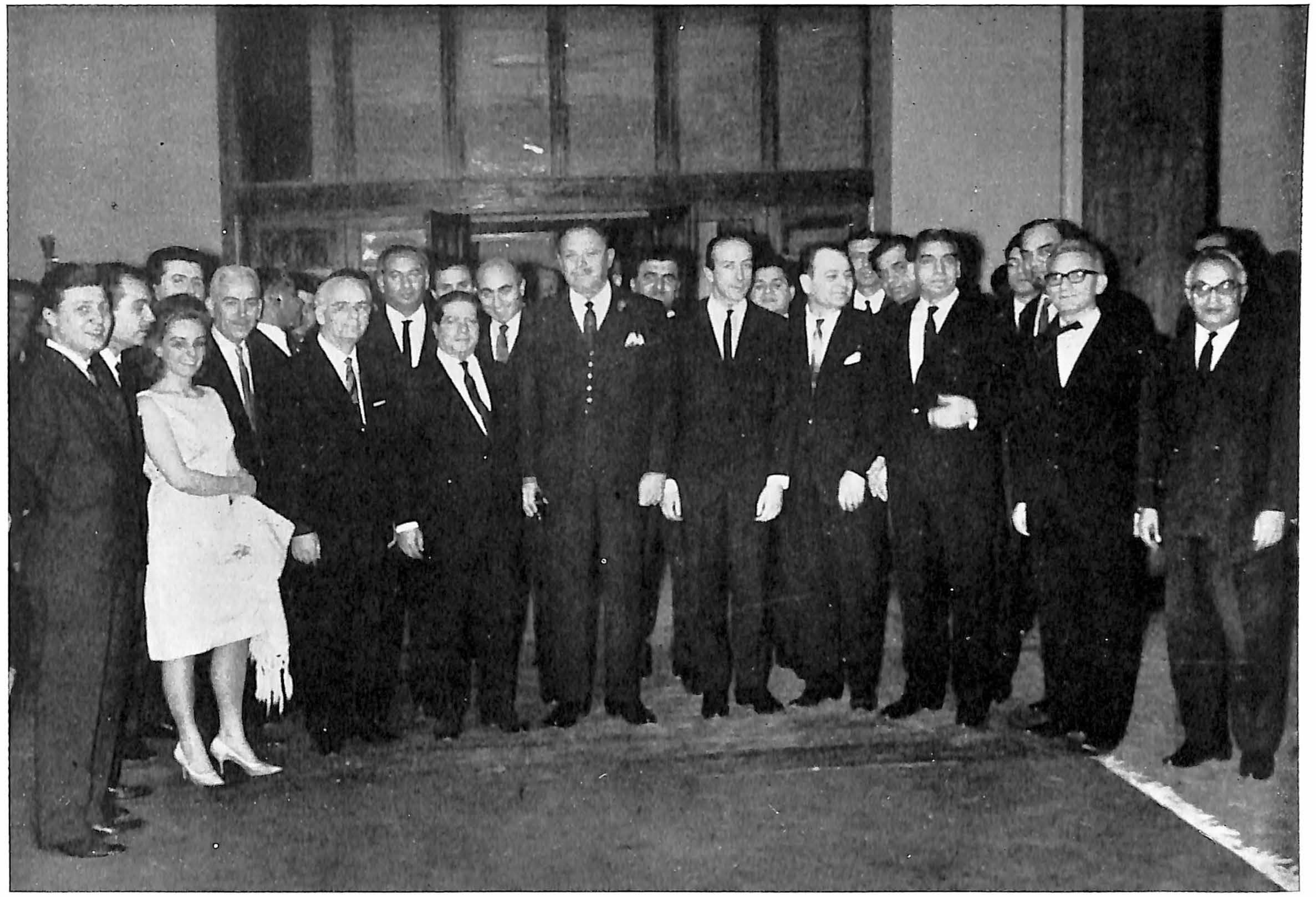




Members of the Iranian and Turkish Delegations to the Regional Planning Council at a dinner given by Mr. Said Hasan (2nd from left) Deputy Chairman, Planning Commission on March 13, at Pakistan House, Islamabad.

The Delegates of the RCD Ministerial Council are being explained the layout plan of Islamabad, the new Capital of Pakistan.





President Mohammad Ayub Khan gave a reception in honour of the Delegates of the RCD Ministerial Council which ended its two-day meeting in Islamabad on March 19, 1965.



ment is, in fact, conservative as it is based on a cautious projection of its most important component—agricultural employment.

(e) Perspective Plan (1965-1985)

A long-term plan, viz., the Perspective Plan, is being prepared for 20 years. This period is necessarily arbitrary and there is no profound reason for its determination but it seems to be, on the one hand, long enough to permit meaningful structural changes in the economy and, on the other hand not so long as to be without direct interest to the present working generation. The goals of the Perspective Plan are:

(i) a quadrupling of the GNP from about Rs. 43,365 million in 1964-65 to about Rs. 1,74,300 million in 1984-85;
(ii) provision of full employment to the entire labour force;
(iii) parity in per capita income, between East and West Pakistan;
(iv) Universal literacy; and
(v) elimination of dependence on foreign assistance.

The main instrument for achieving the objective of the Perspective Plan is, of course, a fast rate of increase in the gross national product. Most of the thinking of the model for growth rate is still tentative and many of the magnitudes will be firmed up only after further studies have been carried out. Under the PerspectivePlan, per capita income, per average family is proposed to be increased to about Rs. 425 per month by 1985 against the present figure of Rs. 170. This massive improvement will still leave living standard far below the level of the developed countries. It wil, however, eliminate poverty and ensure that at least the basic minimum necessities of life are available to everyone. In order to realise this objective, long-term planning must proceed not only in financial terms but on a physical plan—so that adequate supplies of food, cloting, decent housing and some of the amenities of life are made available over the next 20 years. In addition to physical target in the fields of food, clothing and housing target also will be set for education and medical facilities, transports and recreation, demand for which will be rising more rapidly than total consumer's demand. Pakistan is going ahead in working out the details of such targets.

The Perspective Plan envisages an average growth rate of 7.2 per cent in the GNP over the next two decades. The growth rate is expected to increase from the current level of about 5.5 per cent to 6.5 per cent in the Third Plan and 7.5 per cent by the Sixth Plan.

Gross investment will be increased from about 18.5 per cent of the GNP in 1965 to 23.0 per cent in 1985. Domestic savings are projected to increase from about 10 per cent of GNP in 1965 to nearly 22 per cent in 1985, requiring almost one-third of the additional income to be saved on per capita basis. The target of eliminating foreign assistance also implies a substantial increase in exports, at an annual rate of about 8 per cent, and considerable import substitution in capital goods and intermediate products whose domestic production is projected to increase at rates of 10.0 and 13.7 per cent per annum respectively. If these targets are achieved, external assistance will decline from about 8 per cent of the GNP from 1965 to about one per cent in 1985 and Pakistan will cease to be a net capital importing country.



PLANNING AND ECONOMIC DEVELOPMENT IN IRAN

by

SAFI ASFIA

Head of the Planning Organization, Government of Iran

It is indeed a great pleasure for me, on the occasion of RCD's first year of existance, to be able to report of our experience in Iran in the field of planning and social and economic development. I believe, most sincerely, that a frank and unreserved sharing of our thoughts and experiences with our brother and great nations of Pakistan and Turkey would be in the true spirit of understanding and cooperation that is inherent in RCD For while each of our countries may have her own particular problems, nevertheless, our three nations enjoy a unity of culture and civilization which leads the way to more understanding and common action. For this reason an account of Iran's effort on the road to development and progress may be of interest to our partners in RCD.

The decade before the World War II was one of rapid economic and social development in Iran. A regime bent on bringing about rapid economic, social and administrative reforms was ruling the country. The standard of living was rising steadily and people were witnessing continuous completion of projects of new roads, railways, schools and other economic and social development. However, with the coming of the Second World War Iran's efforts towards modernization and particularly her desire towards a more industrialized society came to a halt.

It was only after the termination of the war that Iran could turn her attention once more to her domestic reforms and development. It was fully recognized by the Iranian government that only through systematic planning for the future could the standard of living be improved over a relatively short period of time.

The First Seven-Year Plan

For this reason, in 1946, the government set up a committee called Planning Board to prepare a development plan for the country. After various revisions and amendments, a plan was prepared for 7 years involving development expenditures to the tune of $650 m (Rls 21 billions) and there upon Plan Organization was simultaneously created to implement it. The revenue and expenditures foreseen in this plan were as follows:

TABLE I— *Revenue and Expenditures of the First Development Plan (in billion rials).*

Revenue	*Amount*	*Per Cent*	*Expenditures*	*Amount*	*%*
Oil Revenue	7.8	37.1	Agriculture	5.3	25.0
Sale of Govt. Property	1.0	4.8	Roads, Rlys, Air-ports	5.0	23.8
Private Participation	1.0	4.8	Mines, Industry	3.0	14.3
Borrowing from Central Bank of Iran	4.5	21.4	Oil Industry	1.0	4.8
			P.T.T.	0.7	3.6
I. B. R. D.	6.7	31.9	Social Affairs	6.0	28.5
	21.0	100.0		21.0	100.0

The Plan Organization was given the control of the funds while the operating agencies of the government were to continue as before their normal operations in their respective fields of activity.

Serious and immediate steps were taken towards preparation of detailed projects, while at the same time, the existing industries directly or indirectly were helped to improve and equip their badly run down factories.

The Second State of Planning

From a practical point of view, the second period of planning and development activities in Iran really starts with the resumption of oil revenues in 1954. A planning committee was appointed to prepare in cooperation with the respective government agencies, the outline of the Second Seven-Year Plan. An evaluation of financial resources was made and the total government investment programme was set at 70 billion rials with a possibility of raising this amount to 84 billion ($1098m.) The objectives of the Plan were in very broad terms as follows:

> "Increasing production, developing exports, providing for public necessities, developing agriculture and industries, discovering and exploring mines and subterranean resources, improving means of communication, improving public health, fulfilling certain operations designed for the development of the country, raising the education and living standards of people and improving living conditions............................"

The above aims found expression in programmes for most sectors as presented in the Table below:

TABLE II—*Appropriations under the Second Seven-Year Plan (in billions rials).*

	Amount	*%*
1. Agriculture	18.2	26.0
2. Communication	22.8	32.6
3. Industries, Mines	10.6	15.1
4. Social Affairs	18.4	26.3
	70.0	100.0

Several factors were characteristic of the Second Year Plan which covered the period 1955 to August 1962. Plan Organization was still the controller of development plan funds. and for speedy execution of large scale but basic capital projects, Plan Organization was empowered to execute projects itself. The ministries as before were obtaining their operating budgets from the Ministry of Finance and in many cases were also undertaking investments through funds allocated by the Plan Organization. Private investment was also rising steadily supported by the credit expansions of the banking system, and as a result of government encouragement and example.

The Overall Performance of the Iranian Economy During the Second Plan Period

A survey of the overall performance of the economy during the Second Plan shows that as a result of steadily increasing development investment by the government, the private sector was also attracted to more investment to the extent that about 17% of Iran's G.N.P. was being reinvested annually. This high rate of activity during this period resulted in about 5.7% rate of growth per year.

However, the rise in the volume of investment resulting from the above mentioned sources raised the demand for imports and exerted an adverse effect on the foreign exchange reserves of the country.

A deflationary policy was, by necessity, put into effect through a stabilization programme from September 1960. This programme succeeded in correcting the pressure on the balance of payments but at the same time reduced the rate of investment. The second period was therefore characterized by slowing down of the tempo of private investment.

Achievements of the Second Plan

In spite of the above mentioned difficulties the execution of the Second Plan succeeded in laying the foundation for future economic growth.

In agriculture the Plan Organization carried out a much expanded and improved, fertilizer and pesticide programmes. It initiated and constructed two large scale multi-purpose dams in Khuzistan and Sefid Rud regions and completed irrigation channels in various parts of the country.

In industry the Plan Organization had a significant degree of success in rationalising most of the government enterprises. Moreover, production of construction materials industry, textile and sugar rose significantly.

In transport and communication sector over 2441 km of major highways were built, the railroad connection to Tabriz and meshed linked two of the richest provinces to the Trans-Iranian railway system and the port capacity almost doubled.

In the field of social welfare, programmes such as malaria control and smallpox campaign were most successful. The primary education expanded significantly and 270 cities and towns were provided each with one or more basic utilities such as potable water, greater sanitation and electricity.

Third Development Plan

The outline of the Third Development Plan was published in July 1961, for submission to the Cabinet and later the respective bill for enactment was approved.

The Third Development Plan covers a period of 5½ years beginning 23rd September 1962. Targets were much more clearly defined than at any time before. In the "Outline" projections were made of the available financial and other resources for the duration of the Plan and forecast was made of the investment by the private sector. On the basis of these forecasts the amount of investment by

the Public Sector was originally determined at 190 billion rials and presently revised and raised to Rls. 200 billion in order to secure a 6 per cent annual rise in national income. To make the maximum of the public saving available for development purposes a limit was proposed to the level of the ordinary government expenditures during the period of the Plan. To ensure coordination among the various economic policies of the government having direct bearing on the progress of the implementation of the Plan, the organization of the Plan Organization also underwent certain changes. In place of the former High Plan Council which was an organ approving the projects and the policies of the Plan Organization, a new Supreme Planning Council was established presided by the Prime Minister. The ministers of Finance, Economic Affairs and the Governor of the Central Banks are ex-officio members with the Managing Director of the Plan Organization as a member secretary, in addition to two other members of the Council who are selected for their expertise knowledge. This council approves the general policies and strategies of the Plan Organization. In this way much more than before, coordination is brought about between the fiscal, monetary and commercial policies of the government. Sometwo years ago the Plan Organization was also given the function of preparing the ordinary budget of the Government with a view to coordination of the overall government expenditures, whether of current administrative or investment nature.

Another departure from the Second Plan methods and practices is the transfer of projects execution to ministries. During the Second Plan period it was recognized that the ministries were not fully equipped with the technical personnel to prepare and execute complex and intricate development projects, but this situation has now been corrected and each ministry is capable and responsible for the execution of its share of the Plan.

The role of the Plan Organization is, therefore, primarily planning coordination, financing, control and evaluation.

Third Plan Allocations and Programmes

The sectoral allocation of investment funds to various sectors are as follows:

	Billion Rls.	*Percentage*
1. Agriculture and irrigation	45	22.5
2. Industries and mines	21.9	10.9
3. Power and fuel	27	13.5
4. Transport and communication	50	25
5. Education	17.95	9
6. Health	13.9	7
7. Manpower	7.9	3.9
8. Urban improvement	8	4
9. Statistics	0.8	0.4
10. Housing and miscellaneous	7.55	3.8
	200.0	100.0

Agriculture and Irrigation

The basic problem in development of Iranian agriculture was the problem of the land tenure

system which existed before the Third Plan. In addition to its undesirable social aspect, it was next to impossible to change the antiquated technique of land cultivation into a modern one which would respond to the increasing needs of a growing population. The government development expenditures in agriculture could not attract the effort and devotion of farmers for achieving a higher productivity unless they were assured of a fair return. For this reason the Land Reform Programme receives major priority in the Plan and government policy is to promote establishment of rural co-operatives which will become the focus from which needs of the farmers in form of credit, marketing of products and provision of agricultural machinery, improved seeds etc. shall be met.

The support given to this programme ever since its inception in the early part of the Third Plan, has resulted in the purchase of 10,000 villages from eligible landlords. These villages were then made ready for distribution among approximately 384,000 farmer families, and in this manner some 1.7 million villagers have become the owners of land. This profound and structural change in the Iranian society has had a tremendous moral effect on the rural population and with the governments help in terms of loans, establishment of cooperatives, demonstration farms etc. there is little doubt that, given the preliminary adjustment period, our agriculture sector will henceforth move with speed and efficiency towards greater production and higher living standards for the farming population.

Of course, in this summary of development efforts one cannot mention all the myriad programmes that are actually being implemented. Suffice is to mention only those which are of far-reaching importance. One of these areas of development is the irrigation programmes. Water is of the essence of civilization, and in Iran where there has always been a shortage of water for irrigation purposes, the Plan has to make substantial contributions. First, as in the Second Plan when great strides were taken in this direction, i.e. construction of multi-purpose dams, irrigation canals, drilling of wells etc., in the Third Plan also we have to expand this programme further. There is a great deal of emphasise put on drilling of wells in different regions of the country, and as in the case of the Ghazvin Development programme a whole region benefits from a comprehensive agricultural programme, not to mention the Khuzistan Development programme which started in the Second Plan and will continue through the Third Plan. The latter region, within a short space of time, has been so transformed as to be one of the most promising agricultural and industrial areas of the country.

Plans are also under consideration for a number of irrigation dams of considerable importance, providing both electricity and water.

Industrial Policy

Since a reasonable amount of infra-structure, although not yet adequate, has been built under the Second Plan, the industry sector has been allocated a relatively larger share under the Third Plan. The government intends to invest directly in establishment of heavy industries such as steel and petrochemicals where the large capital requirement make private investors charry to participate. On the other hand, more assistance to private investment in form of financial and technical assistance is foreseen under the Third Plan than had been provided for in the Second Plan.

The growth rate of this sector both in the Second Plan and now has more than exceeded the original expectation of the planners. Private enterprise under government encouragement has shown that, given a stable but dynamic society, it can fully play its part in establishing and investing in those industries which provide the people with their essential needs in terms of manufactures. Iran's progress in such fields as textiles, sugar production, cement and in light industries such as making of refrigerators, heaters, and assembly factories for motor vehicles, radios and the like has been very significant.

Transport and Communication

The needs of Iran, with an area of over one million six hundred thousand square kilometer with about 2-70 cities and 50000 villages scattered throughout the country, is naturally great and requires vast sums. This has meant that large proportion of funds under Second and Third Plan have been put aside for development of roads and railways. There exist already about 31000 km of main highways of which about 4200 km are asphalted roads of international standard. But the effort for development of more first class roads and especially construction of feeder roads which link the villages to the main roads will continue during the Third Plan.

With respect to the railway development, the objective is to link the existing network to the Turkish and Pakistan railway system. The section towards Turkish border is more than half complete and will start operation by 1967. The section towards the Pakistan border is extending from Kashan to Yazd to continue later to Kerman and to the border. With respect to Ports, although the developments under the Second Plan already meets the present needs of the country, nevertheless it will not be adequate for future needs of an expanding economy, therefore, the development of further part capacity still remains an essential feature of development programmes. To this end and under the Third Plan the old small port of Bandar Abbas is being reconstructed into a modern port with 600,000 tons capacity and much of this work is presently in progress.

In respect of telecommunication the programme has been very rapid. The CENTO micro wave system with 600 canals which links Iran to the outside world is almost complete and is partly under operation now. The automatic telephone system in the cities has been developing rapidly along with the inter cities communications.

With respect to the air ports, in addition to providing small airports for internal communication five international airports are almost in the stage of completion.

Social Welfare

In a country on the path of rapid economic development the social side must also develop hand in hand. Education, health, manpower training and urban improvements should necessarily form a complementary part of the economic development programme.

Campaign against illiteracy has gained momentum especially since the creation of Literacy Corps which penetrate into the far corners of the country not to mention the programmes which go a long way towards improvement of higher education. The literacy programme under the Third Plan aims at 60 per cent literacy by 1967.

With respect to raising the health standard, as already mentioned above, the malaria campaign has already eradicated this disease. Under the Third Plan the objective is to extend medical and health services to cover rural areas which had lagged behind the urban centers in this respect.

The major objective of the manpower training programmes are to meet the requirements for critical skills by increasing the effectiveness of the employed labour force and by instituting pre-employment training programmes. Many training centers are already established in the country and further efforts to expand these is under progress. Centers for higher level trainees including management training have been established and supported financially by the Plan Organization funds.

With respect to urban improvements, the needs are great. Much effort has been spent under the Second Plan in providing basic needs of the cities such as drinking water, electricity, asphalting of

streets, construction of slaughter houses etc. This effort is being continued under the Third Plan and 790 projects for water, electricity, asphalt etc. are presently in hand and under progress.

Conclusion

So far some two-and-half years of the Third Plan has expired and during this period more than half plan funds have been earmarked for specific projects. Ministries have become much more "development" oriented and good projects are being speedily prepared and executed.

Planning for a definite goal of social and economic developed has come to receive the governments major interest and there is much hope that by channelling the resources of the country to the urgent needs of the people, the standard of living of the Iranian people may, in not too short a time, increase so significantly as to eliminate the vicious circle of poverty which is undoubtedly the major problem of the developing countries.

In this task, Turkey, Pakistan and Iran have made tremendous efforts, and I am certain that in the context of RCD the cooperation of these three great countries will contribute substantially to the solution of still outstanding issues.

Population estimate

20-21 million. (Growth estimated at 2.5 per cent per year)

Area

162 million hectares—628,000 square miles (about 6 million hectares is the average area cropped)

National Income Estimate

$3.9 billion or roughly 185 per capita.

Population

Total population	22,892,400	
Male population	11,569,200	
Female population	11,323,200	
Urban population	7,742,250	
Rural population	15,150,150	
Rate of population growth		2.5

Agriculture

Total area	162,400,000	Hectares.
Arable land	22,496,069	
Area under principal crops	5,533,641	

Production of Principal crops

Wheat	3,000,000	ton
Barley	1,002,000	,,
Rice	860,000	,,

Industry

Production of major industrial goods

Oil	605,844,646	Barrels
Cement	940,528	tons
Vegetable Oil	50,899	,,
Sugar	187,000	,,
Glass	271,026	M2
Cotton Textile	265,149,000	m
Woollen textile	3,973,500	
Cigarettes	8,409,285,722	pieces

Components of exports in 1964-65

Type	*Weight in Ton*	*Value in 1000 US Doll*	*Percentage of Value*
Hand-woven carpets	10,563	36,455	23/80
Cotton	68,624	34,863	22/77
Fresh and dried fruits	66,331	19,782	12/92
Various kinds of hide and leather and related products	14,813	12,943	8/45
Metalic ores	275,234	8,688	5/67
Wool, down and hair	5,554	5,144	3/36
Various kinds of gum tragacanth	3,020	4,711	3/08
Caviar	187	3,432	2/22
Various kinds of scum and refuse	50,717	2,658	1/73
Cumin-and caraway seed	4,927	1,692	1/10
Various kinds of guts	616	1,462	0/95
Cement	101,410	1,330	0/87
Wood and wooden articles	7,363	1,065	0/70
Medicinal and industrial seeds and herbs	13,319	98,814	0/65
Other commodities	132,568	17,958	11/73
Total of exports excl. oil materials	755,246	153,135	100/00
Export of oil materials	71,538,889	1,053,865	86/06
Hydrocarbon solvents, obtained from oil	159,869	7,375	0/64
Total of exports incl. oil materials & hydrocarbon solvents	72,454,004	1,151,138	100/00

This figure is the total value of exports which is including the value of oil exported by Consortium and the National Iranian Oil Co. The actual income of the government from export of goods and oil amounts to 611 million dollars in 1964.

Source: Government of Iran Custom's Annual Trade Bulletin

Components of imports in 1964-65

Type of commodities	*Weight in Ton*	*Value in 1000 US Doll*	*Percentage of Value*
Machineries and parts	69,228	118,751	16/0
Iron and ironware	537,809	78,878	10/63
Medicinal and Chemical materials	112,214	62,492	8/42
Sugar	472,944	59,051	7/95
Electric machinery and apparatus and articles for electro-technical uses and their part	25,771	39,827	5/37
Passenger and Chaser Automobiles	16,021	22,201	2/99
Paper, cardboard and related products	74,891	18,610	2/51
Oleagineus substances, fat, flowing oil and their products	68,006	18,318	2/47
Tanning and dyeing extracts, various kinds of dye-stuff and polish	19,089	14,724	1/98
Chassis, lorry	8,378	14,567	1/96
Woollen and downy textile and haircloth	1,550	12,549	1/69
Tyres for vehicles	9,046	12,414	1/67
Tea	5,680	9,863	1/33
Accessories and Parts of vehicles	4,282	8,615	1/16
Glass and glassware	16,822	6,321	0/85
Lorries	4,704	5,823	0/78
Textile & other woven fabrics made of rayon, viscose & similar synthetic fibres	813	3,000	0/40
Other commodities	864,655	236,335	31/84
Total	2,311,903	742,339	100/00

Source: Government of Iran Custom's Annual Trade Bulletin

STATEMENT

By
Mr. MEMDUH AYTUR
Under Secretary for the State Planning Organization
Government of Turkey

At the threshold of the second year of our co-operative achievements on the road to accelerated economic, social and cultural development, a retrospective glance is sufficient to justify the wisdom in the direction of our efforts and to show us the sizeable amount of ground covered by the RCD since its inception.

The vision and experience of the leaders of the three member countries, the far-seeing attitude and deep grasp of fundamentals of His Majesty the Shahinshah of Iran, Riza Shah Pahlavi, President Ayub Khan and President Gursel have been the sources of inspiration of this thrust forward.

The Organization has now come into its own with the establishment of the Secretariat which will enable it to establish the much needed network of communication among all the related agencies of the three countries that is so crucial in achieving effectiveness in co-operative endeavours of this scope.

The significant work of the RCD can be made to stand out by mentioning the areas of collaboration such as telecommunications, transportation, technical co-operation and tourism under which activities have already progressed substantially. Such subjects as trade, banking and insurance, joint venture enterprises which are envisaged as areas for future development show what a fertile field for co-operation lies before us. The field of culture, as it was already pointed out at joint meetings, is one of the major subjects of concentration and I am pleased to point out that a number of important steps have been taken in this direction.

It is our task, the task of the planners of Iran, Pakistan and Turkey, to study the potentials of our countries and identify new areas of collaboration and new aspects of co-ordination which will help the achievement of the targets of development.

It is a highly laudable feature of the work undertaken to this date that in a scheme which requires a complex task of fitting together of organizations, activities and potentialism the RCD has proceeded step by step, beginning with an expert evaluation of the available means for co-operation in the specific area chosen for development by members.

It is indeed by finding such growth points that the structure of RCD co-operation can be established on the most sound bases. The determination of the three countries, that RCD should be built on such realistic, economically meaningful and deep rooted foundations provides the major strength of RCD.

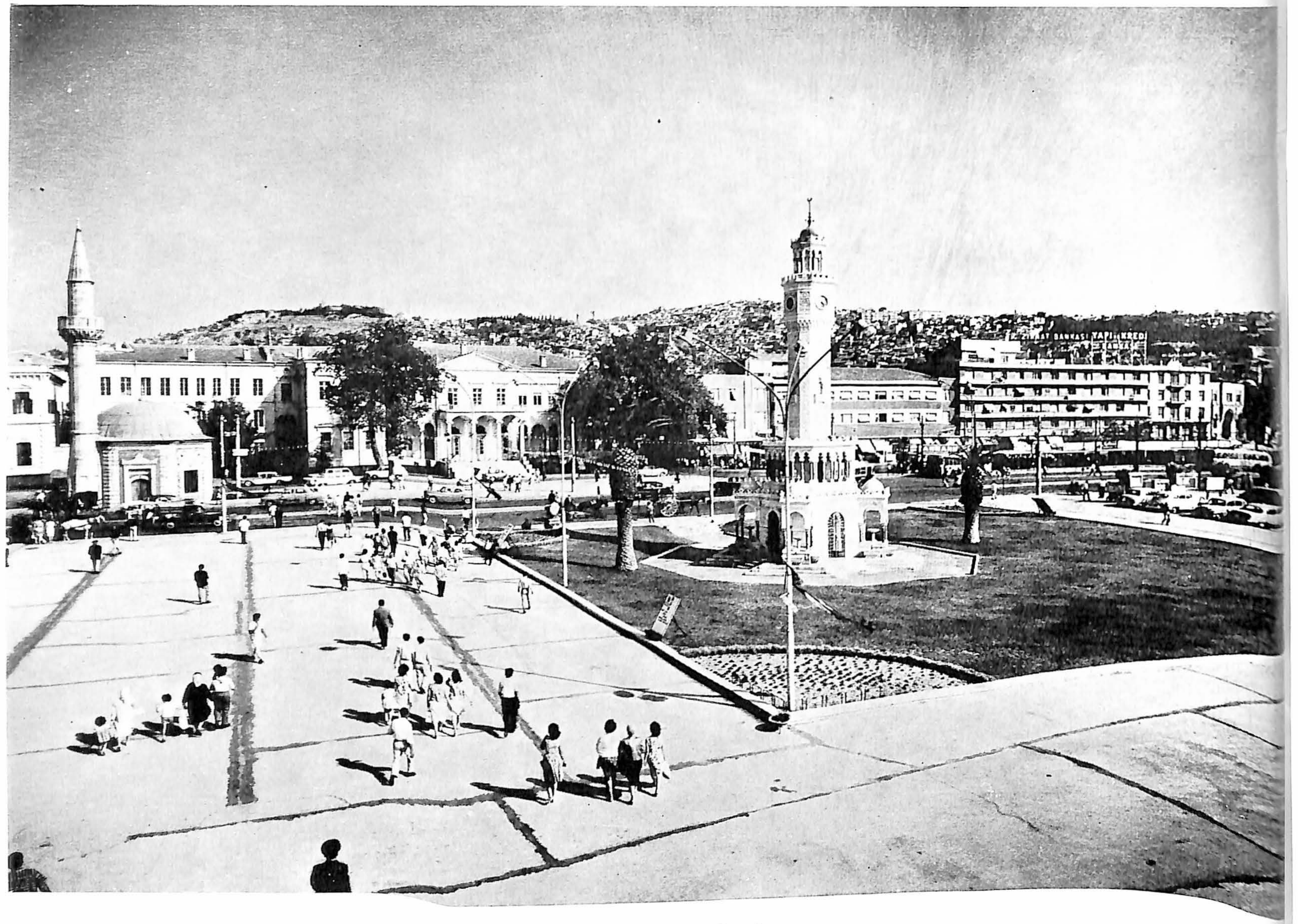
Such a solid and clear-sighted attitude toward the co-ordination of development energies of the

member countries establishes the promise of a prosperous future inherent in the activities of the RCD on the solid foundations which are the excellent examples of truly constructive statesmanship.

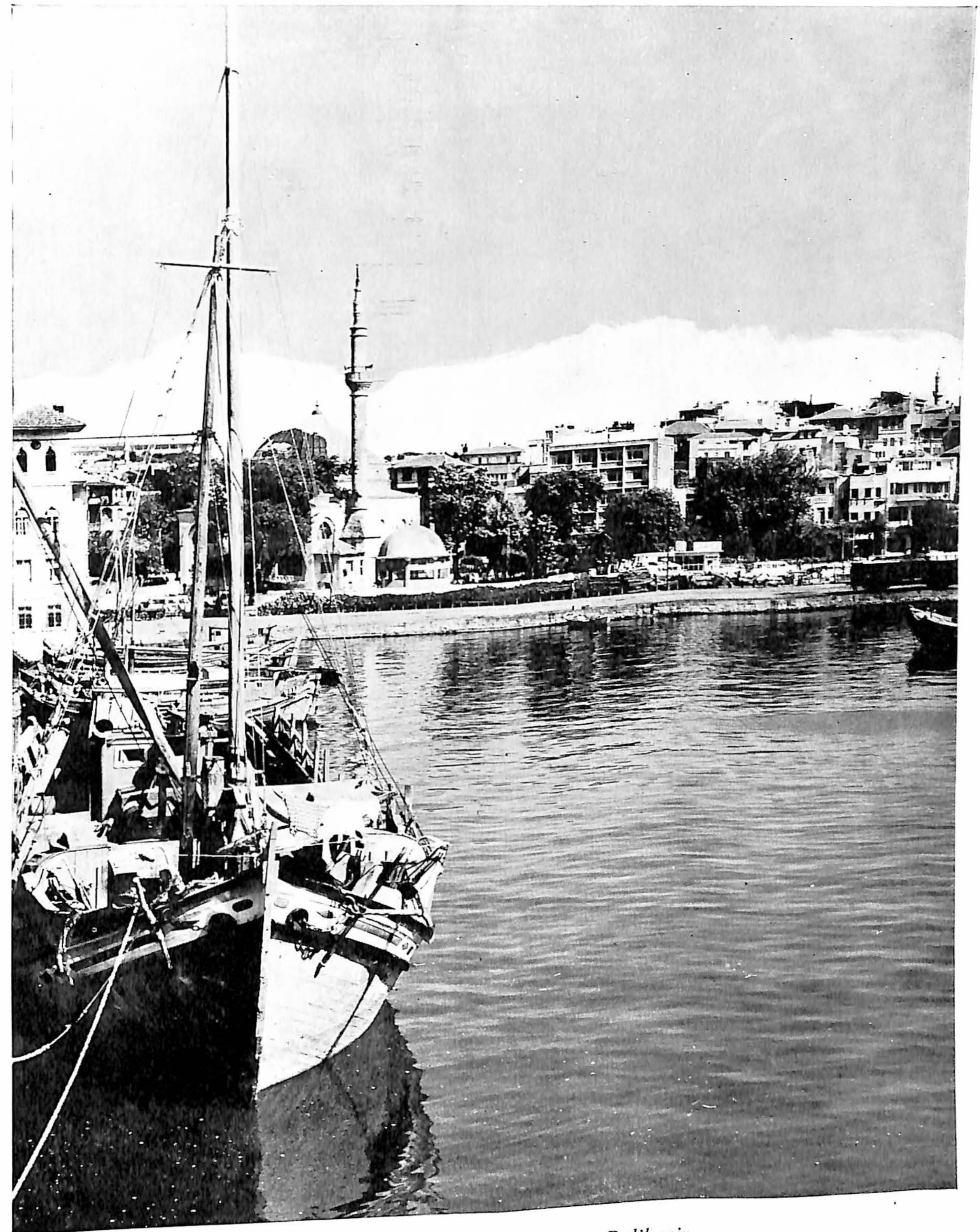
Belief in the necessity for neighbours to establish close functional relations, faith in the ability o democratic planning to achieve the requirements of economic development, social stability and cultura progress, confidence in the future possibilities opened up by the RCD in this direction are the funda mental tenets which unite us and which will retain their cohesive power for long time to come even i this changing world of ours.



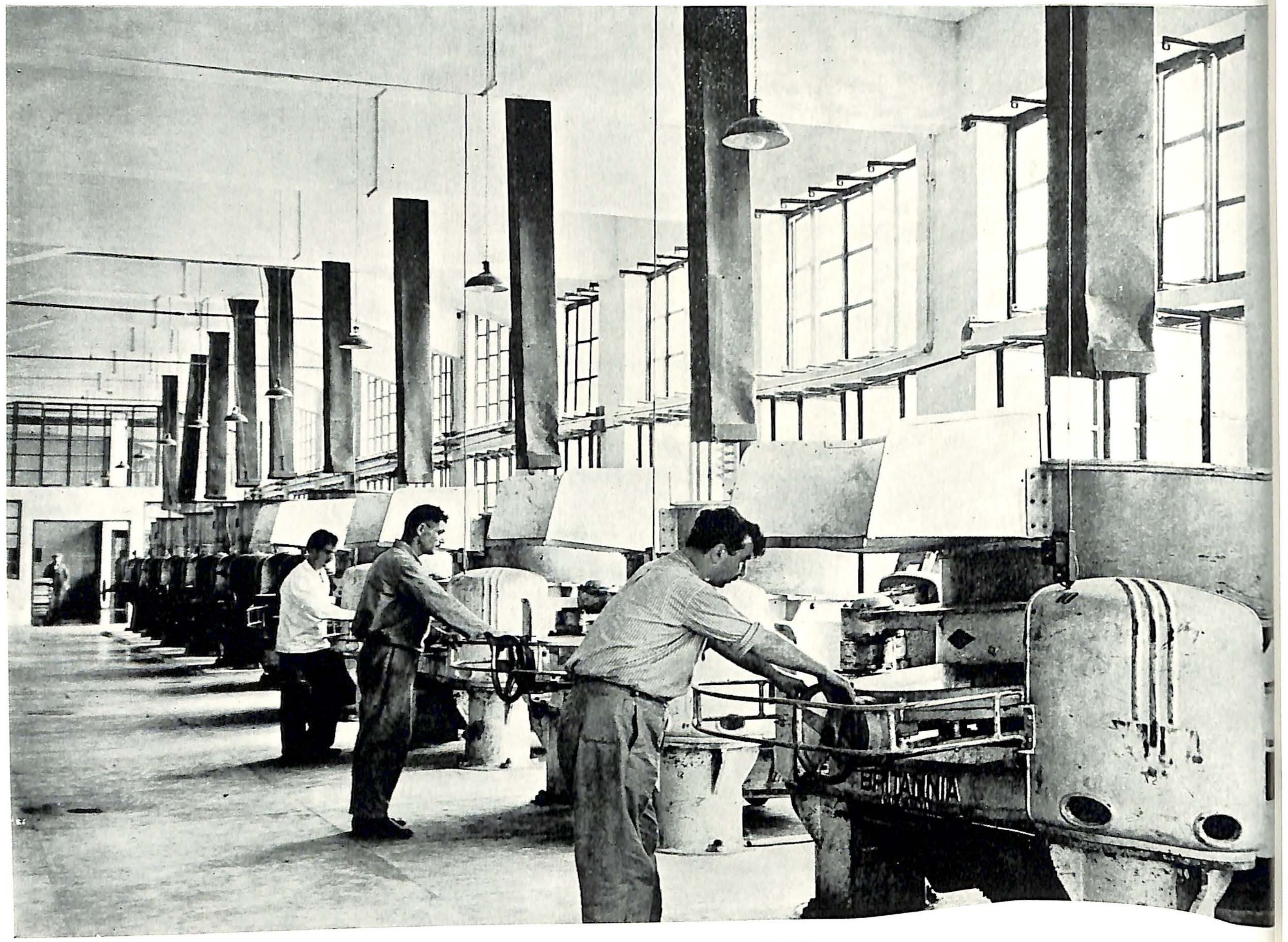
Dolmabahce Palace, Istanbul.



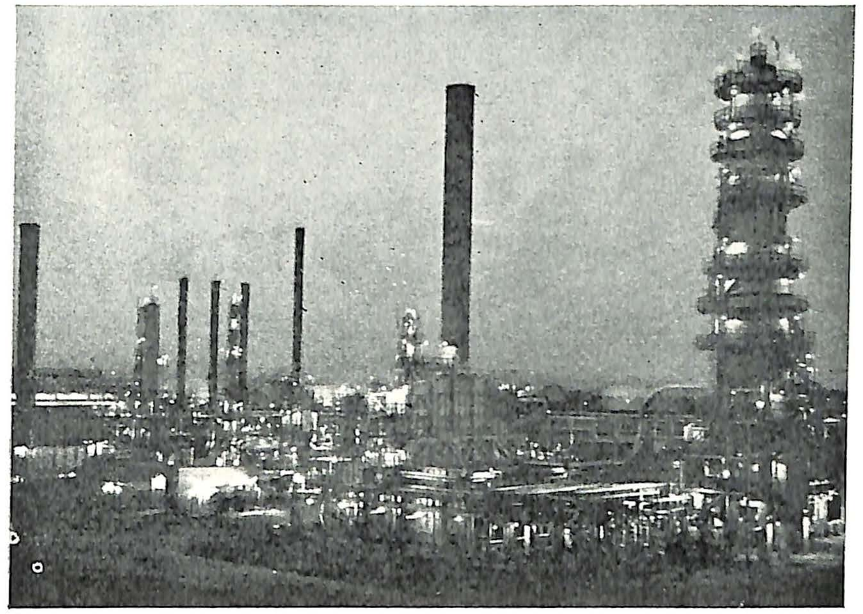
Konak Square, Izmir.



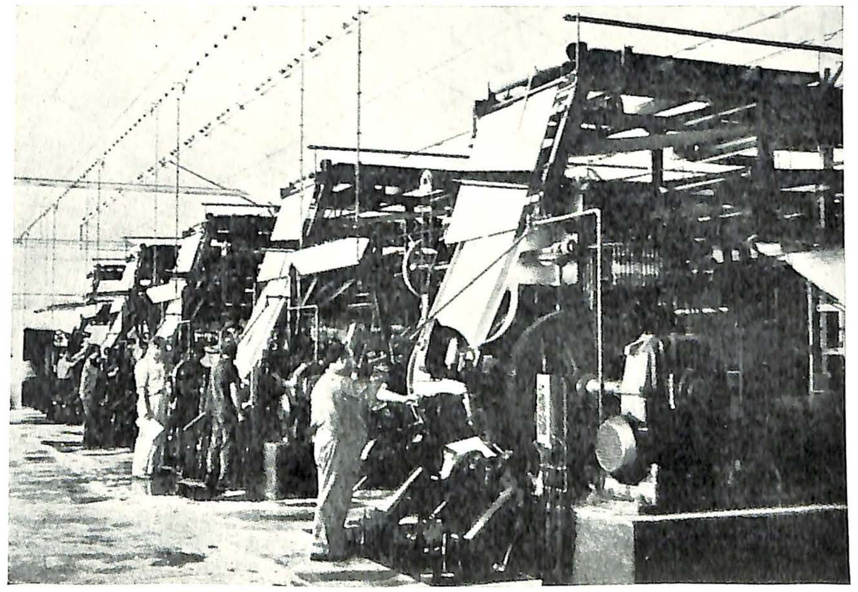
A view of Banderma Town in Balikesir.



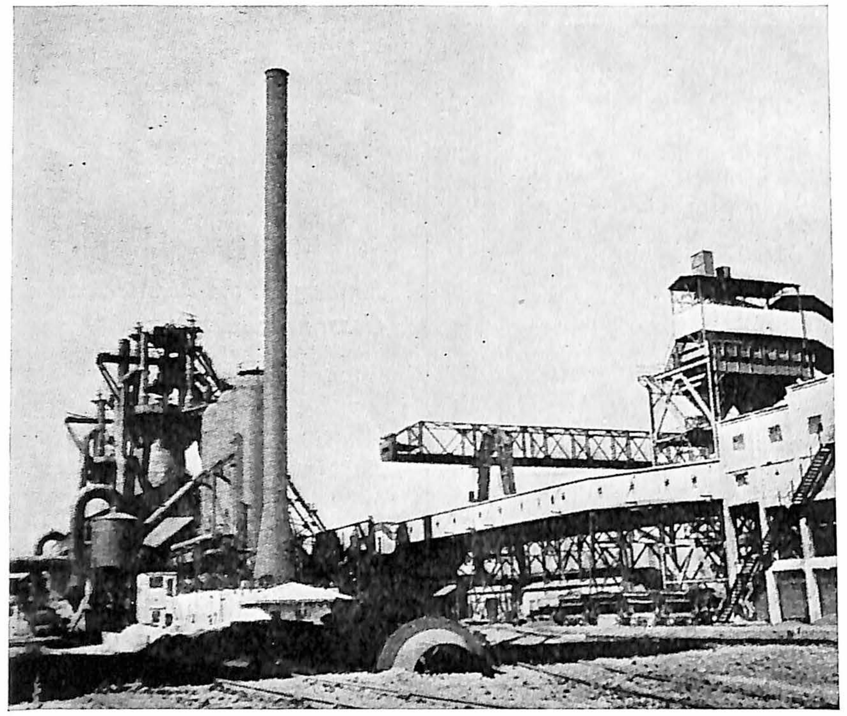
A Tea Processing Plant in Rize.



Refinery on the Mediterranean Coast near Mersin.



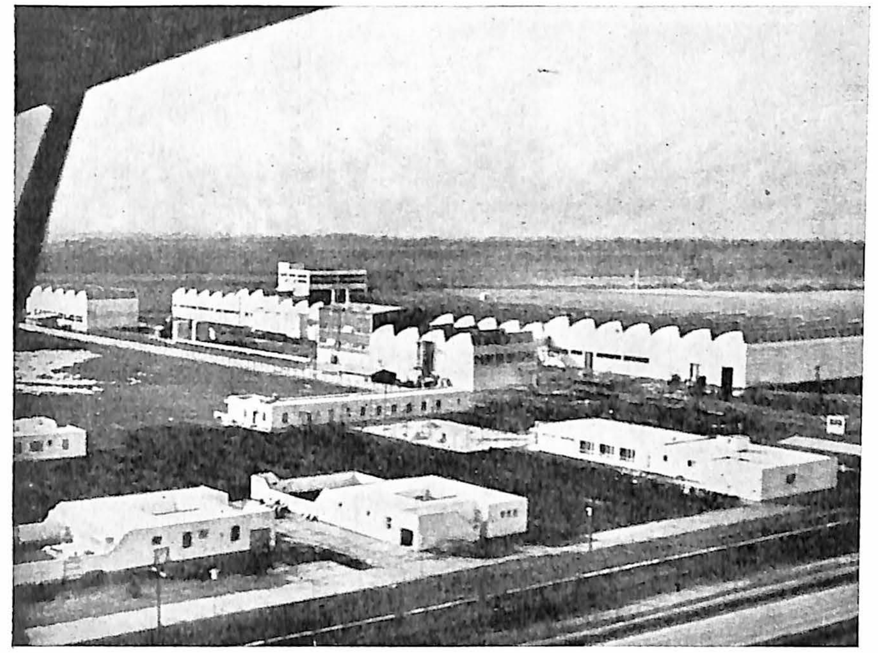
Cotton Print Cloths made in one of the Turkish Mills.



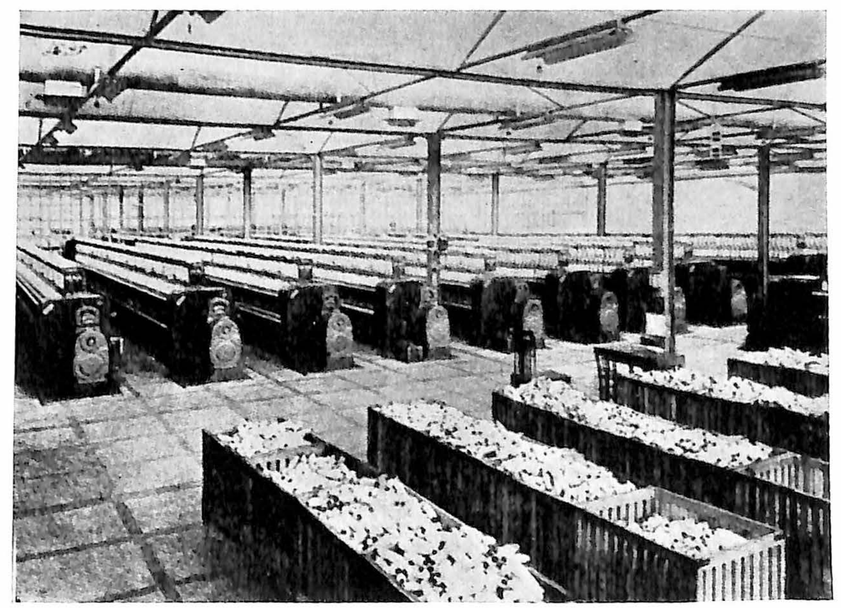
Blast Furnace at the Iron and Steel Mill in Karabuk.



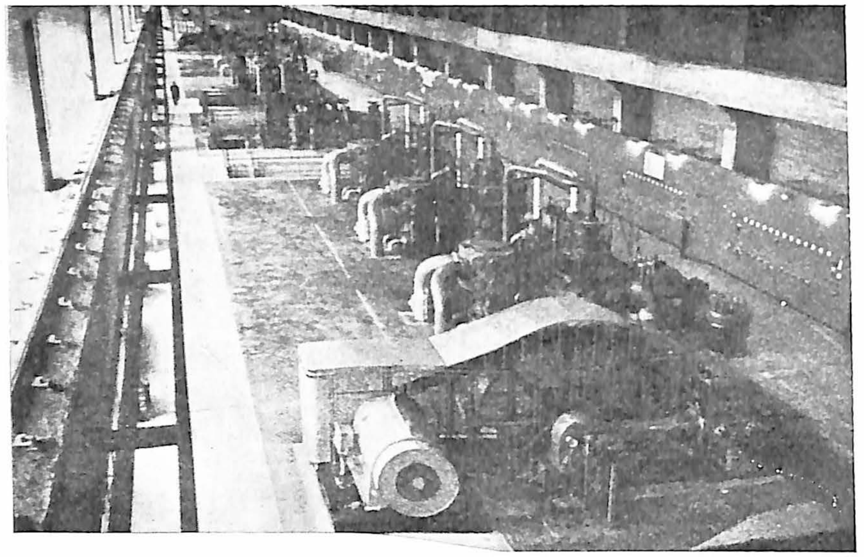
Interior view of a Tire Plant near Izmit, due East of Istanbul.



Exterior view of a Tire Plant near Izmit, due East of Istanbul.



Interior view of a Turkish Textile Mill



Batteries of Compressors in a Nitrogenous Fertilizer Plant.



A modern Agriculture Farm in Turkey.



RCD—THE ROLE OF THE SECRETARIAT

By

H. E. DR. FUAD ROUHANI

Executive Secretary, RCD Secretariat

The United Nations Conference on Trade and Development which met in Geneva in the Spring of 1964 expressed in its Final Act the importance of economic, industrial and agricultural co-operation between different nations on a regional basis. This was the result of the deliberations of experts from all over the world who participated in the Conference, and it is one more evidence of the fact that regional international co-operation has a significant contribution to make to the noble cause of ensuring peace, security and prosperity for mankind in general.

When the foundation of RCD was laid, a wide range of regional collaboration was envisaged, combining cultural solidarity and social welfare with the improvement of economic and industrial relations, between the three Member Countries. The confident hope of the founders of this co-operation was and is that concrete and substantial benefits should accrue as a result of it to the peoples of the three countries, and also that the scope of such collaboration and of its resultant benefits should in due course be extended by the adhesion of other Members. It is now one year since the Heads of States of Iran, Pakistan and Turkey met in Istanbul to inaugurate a new era of co-operation with a view to strengthening the bonds of unity between the three countries, and accelerating the economic growth of the region. During this period the policy makers from the three countries have held several meetings and have identified definite areas of co-operation. They have outlined future courses of activity in the fields of trade, transport, petroleum, tourism, banking and insurance, joint enterprises and technical and cultural co-operation. Their decisions have now to be given concrete shape for the common benefit of the peoples of the three countries. This is where the Secretariat enters the scene.

The role of the RCD Secretariat is to provide all the necessary services and ensure all proper co-ordination in respect of the work of the technical experts from the three countries who will be brought together to put into execution the projects which shall have been approved. Thus on the proper organization of the RCD Secretariat will depend the implementation of measures for pooling the resources of the three countries and reaping the benefits of joint economic undertakings.

The RCD Secretariat has thus an extensive field of activity. It will be in direct contact with the executive agencies in the three counties of the Region in order to play its part in balancing, adjusting, co-ordinating and orientating all the thinking, planning and acting on which the success of Regional Co-operation for Development depends. Although essentially it is not the duty of the Secretariat to initiate projects, there is no doubt that the pursuit of the activities entrusted to it, namely ensuring the execution of approved plans, will place it in a specially favourable position for suggesting new prospects and possibilities of co-operation to the Authorities of Member Countries.

The rising expectations of the people of the three countries during this one year have in fact al-

ready placed the RCD Secretariat in a position where it will have to explore fresh avenues for thinking and acting on a regional basis. Most interesting possibilities suggest themselves in respect of under-utilised resources, both human and material, which may be exploited for the common benefit of the whole Region.

The permanent Secretariat of RCD began to take shape in April. At the time of writing, it is on the point of occupying its premises in Teheran. The presonnel is not yet fully available. When the staff strength is completed, which will be very soon, the Executive Secretary will have six principal Assistants, two nominated by each Member Country, and also an Information Officer. Other supporting staff will likewise be representative of the three countries.

It is the duty of the Secretariat to send a representative to each meeting convened under the policies and projects of the Organisation. This representative will provide and/or supervise all necessary services and facilities for the satisfactory fulfilment of the functions of the meeting, and will ensure that the agenda and pursuit of the discussions conform to the terms of reference fixed for the occasion. Procedural guidance can most usefully be given by the Secretariat representative at such meetings, as well as practical advice as to how the work of one meeting can best be co-ordinated with that of other relevant units of the Organisation.

Upto the time of writing, the Secretariat has been represented at three meetings, at two of them by the Executive Secretary personally. These were a Technical Committee on Re-Insurance, which met in Teheran, a sub-committee on air transportation and a colloquium on common problems in Education and Social Welfare, both of which met at Istanbul. When regard is had to the great variety of fields of activity to which RCD is committed, it will be readily realised that co-ordination is the essence of the Secretariat's reponsibility.

Elsewhere in this Publication can be found some specific information concerning the progress of the various activities envisaged by RCD. Here it may be useful to make a brief reference to them in order to give the reader an idea of the wide range of planning and action over which the Secretariat should keep watch to ensure proper co-ordination and the due fulfilment. To confine ourselves to headings, the sphere of activity contemplated extends from commerce to industrial schemes for joint achievement (such as in respect of petroleum and petrochemicals) to betterment of communications, means of travel, shipping, to stimulation of tourism, to dissemination of information on all matters of common interest and to publicity in general. On each subject the relevant committee or working group develops recommendations which have to be submitted finally to the Ministerial Council for approval. All the measures that have to be taken to translate the result of the deliberations of various Committees into action come within the functions of the Secretariat.

The staff of the Secretariat are all dedicated to the successful achievement of the important task assigned to them and hope to prove soon that the trust which was placed in them is fully justified. This feeling of confidence derives special strength from the fact that the Executive Secretary, having paid visits to Pakistan and Turkey in order to make contact with the competent Government Authorities and personalities, has returned with every assurance that all concerned are determined and anxious to assist in the satisfactory progress of the undertakings of RCD.

With the inspiration of the illustrious Heads of States, the sympathy and keen interest of the peoples of our countries, the earnestness of our Governments, and the dedication of the members of all committees, working groups as well as the Secretariat, there is every reason for considering the success and growth of RCD as guaranteed.

POST, TELEGRAPH AND TELECOMMUNICATIONS

By

MR. MASARRAT HUSAIN ZUBERI, S.Pk., SQA., CSP.,

Secretary, Ministry of Communications, Government of Pakistan

A year ago on the 21st of July, 1964, the three distinguished Heads of States of Iran, Pakistan and Turkey met in Istanbul to stride out in a new direction and lay the foundation of what has come to be known as the Regional Co-operation for Development. The President Field Marshal Mohammad Ayub Khan, with his usual acumen, foresight and sense of purpose initiated and found immediate quick response from others for the scheme which may transform the lives of the people of this region in years to come. The RCD gave content to a dream, substance to an ideal and shape to a hope which beckons to a new era of co-operation, socio-cultural collaboration, and planned economic growth between the three countries which geographically and historically lie nestling together in a basin of common destiny.

2. RCD has made rapid progress during the past twelve months, and is now considered as the cornerstone of suprnational unity and inter-regional integration. It is also serving as a base for a unified approach to a number of common problems. It has provided a positive direction to certain common objectives of the three Governments, bound up with the planned economy significant for raising the people's standard of living, maximum exploitation and utilisation of national resources, and give them a regional bias. RCD conception, so freshly new in Asia, is of particular interest to all the emerging nations, waking up from the slumber of the oppressive colonial rule answering to the call of the destiny in the pursuit of progress, prosperity and happiness of their people. RCD is a springboard for the practical implementation and fulfilment of such an ideal within a foreseeable future.

3. The spheres of common activity and participation were quickly identified and naturally the formation of basic infrastructure took the first place for a strong and durable edifice of collaboration.

4. Communications play an extremely important role in the socio-economic life of a nation, and its significance is heightened in a developing economy. Economic development and its rapid growth depend upon an effective well developed transport and communication system. The availability of easy, quick and cheap means of communication have a direct connection with the expansion of trade and commerce, exchange of information, social, cultural contacts making a deep impact on the national life and its pattern. The economic development and social integration of the region would, to a large extent, depend upon the quality, adequacy and efficiency of communications.

5. Of the nine working groups formed at the outset (and functions and responsibilities for studies were equally distributed between the three countries), the chairmanship of the Group on Posts, Telegraph and Telecommunications was entrusted to Pakistan. As Chairman of the group, I would like to record the most willing and cordial co-operation that I received from the distinguished representatives

of other two countries in the task allotted to us. It is worthwhile to mention here that though most of the other measures relating to regional collaboration were to be considered and examined for further study and scrutiny, the question of reduction of Postal and Telegraph rates emerged from the Summit Conference in the shape of a *decision*, only to be implemented by the three administrations. This was a clear indication of the intention of the Leaders to make the three countries of the region into one "Single Territory" for Postal and Telegraph services.

6. While giving a decision on the reduction of postal and telegraph rates, the Summit Conference also directed that the three PTT administrations should study and report on (a) reduction of telephone rates, (b) establishment of PTT offices in border areas, and (c) feasibility of providing services such as direct dialling between the countries of the region, satellite communications, etc.

7. The Working Group met in Teheran from August 29 to September 3, 1964 and all the members worked with commendable zeal. The report of this Working Group was considered and approved by the Regional Planning Committee (now Council) which met at Teheran from the 7th to the 9th September, 1964. While approving this report, the RPC decided to replace the Working Group by a Committee on Post, Telegraph and Telecommunications. These decisions of the RPC were subsequently ratified by the first RCD Ministerial Council which met at Teheran on the 17th October, 1964.

8. No time was lost in implementing the decisions so approved. When the Committee on Post, Telegraph and Telecommunications met in Karachi for the second time from 2nd to 4th December, 1964, it was glad to note the very brisk pace of implementation. The same feeling of satisfaction was recorded and the work done commended by the Regional Planning Council which met at Islamabad from the 13th to the 16th March, 1965, and by the RCD Ministerial Council, meeting at the same place on March 19, 1965.

Postage Rates

9. Postage rates on all categories of surface letter mail, *viz.*, letters, postcards, commercial papers, books, newspapers, samples of merchandize and small packets, have been reduced to the level of internal rates of each country. This means that a letter or a packet posted in any of the regional countries can go anywhere in the region without extra charges. The concept of a 'single postal territory' could not have found a better manifestation. This reduction in letter postage rates is sure to help the free flow of printed matter like books and newspapers in the region and thus promote cultural collaboration. The role that it will play in promoting trade and commerce is also going to be very important. Postage rates on parcels, the volume of which is sure to grow as trade flourishes within the region, are also being reduced to the minimum possible limit with effect from the 15th June, 1965. In fact the new rates on parcels will in some cases be even lower than the existing inland rates within each country. The postal charge on a parcel for Turkey originating in Pakistan, weighing 22 lbs. is Rs. 15.00 at present. This charge is being reduced to Rs. 8.25. Similarly, a parcel for Pakistan of the same weight originating in Iran at present costs the sender the equivalent of Rs. 18.36. It will be possible now to send the same parcel to Pakistan on a postage equivalent to Rs. 6.25. These new postage rates on parcels in the region have been worked out in such a way that there will be one set of reduced uniform rates between Pakistan and Iran, between Iran and Turkey on the one hand and between Pakistan and Turkey on the other.

10. This reduction in postage rates on letter as well as parcel mail within the region has been made possible by the magnificent spirit of co-operation shown by the Government of Iran. So far as the postal traffic between Pakistan and Turkey was concerned, it could not possibly bear any reduction in charges if the Iranian Postal Administration had not made swift and effective arrangements for the transit of such traffic through their country. This transit through Iran has enabled both Pakistan and Turkey to reduce the transmission cost of their mail which previously used to be transmitted through a more expensive and circuitous route.

11. The only reduction in Postal charges that has still to be brought about is in the surcharge on airmail items—both letter and parcel mail. This reduction has to await formation of a RCD Joint Airline Service as foreign International Airlines at present carrying major portion of such mail cannot be expected to reduce their freight rates. As a preparatory measure for eventual reduction, the three Postal Administrations have already started providing free airlift to each other's airmail within their respective jurisdictions.

PTT Offices in Border Areas

12. The following PTT offices in border areas will be opened very soon.

Iran-Turkey Border:	(a) Turkish side	...	Kapikoy and Bajirge.
	(b) Iranian side	...	Ghatoor and Soroo.
Iran-Pakistan Border:	(a) Iranian side	...	Gwatar, Jalg and Mirjawa.
	(b) Pakistan side	...	Kohi-Taftan, Ladgasht and Jiwani.

These offices are intended to serve nationals on both sides of each border.

Telegraph and Telephone Rates

13. When the telecommunications experts sat down to implement the Summit decision regarding reduction in telegraph rates, they came to the conclusion that the best way to do so would be to introduce a single reduced rate for telegrams in the entire region and that that rate should be the internal rate presently applied in Iran. This proposal was accepted by the RCD Ministerial Council and has since been implemented. The Telegraph charges between Pakistan and Iran stand reduced by 51 per cent and those between Pakistan and Turkey by 81 per cent. Telephone trunk call rates between Pakistan and Turkey are also being reduced very soon by 71 per cent.

14. As in the case of postal rates, the reduction of telegraph and telephone rates between Pakistan and Turkey is also mainly due to the co-operation of Iran in providing necessary transit facilities. Previously this traffic used to be routed *via* London and was, therefore, so prohibitively expensive.

15. As a result of this reduction, the telegraph and telephone traffic in the region is bound to increase considerably. In order to cope with the increased traffic all the three countries of the region and particularly Iran, being the transit country, are planning to instal additional high frequency and other relative equipment for their respective services. The new Microwave Karachi-Teheran-Ankara link opening for commercial traffic this month would provide a reliable telephone service.

Semi-automatic trunk dialling

16. The telecommunications experts of the three countries have worked out a plan which will enable the introduction of semi-automatic trunk dialling among the three countries of the region on the new microwave link. All necessary preparations in that connection are complete. We are also busy studying the question of utilization of satellite communications facilities within the region. Necessary information and ideas on that subject are being exchanged at present.

Commemorative Postage Stamp

17. As decided by the RCD Ministerial Council, each of the three Postal Administrations in the region is issuing a special commemorative stamp with a common design on the 21st July, 1965 to mark the first anniversary of the historic Istanbul Summit Conference which ushered in this new era of regional collaboration for the people of Iran, Pakistan and Turkey.

BANKING AND INSURANCE
Co-operation Amongst RCD Countries

By

MR. M. M. AHMAD, S.Pk., C.S.P.

Secretary, Ministry of Finance, Government of Pakistan.

Money and credit have placed a crucial role in our lives since times immemorial. As society developed into a more complex and sophisticated structure, their role in governing our lives became more pronounced. Also since ancient times Man has endeavoured to protect himself from natural and unforeseen calamities. This instinct was largely responsible for promoting the institution of insurance which again plays an extremely useful role in modern society. In fact the stage of development of banking and insurance institutions in a country signifies the status of its economy. With the vast dependence of any one country on the rest of the world, it follows that international co-operation in the fields of insurance and banking should also develop. Close international collaboration in these fields have become a hall-mark of international co-operation, particularly since the close of the Second World War. The International Bank for Reconstruction and Development, International Monetary Fund, European Payments Union, the recent co-operation amongst a host of banks to give support to the sterling are a few examples of what effective collaboration in the field of banking can achieve.

2. It was, therefore, only to be expected that Summit Conference of the Heads of States of Iran, Pakistan and Turkey held at Istanbul in July 1964 decided that there should be close co-operation amongst the three countries in banking and insurance. For this purpose a Committee on Banking and Insurance was established for making recommendations for planning and implementing measures in this regard. I was privileged to be the Convenor of this Committee during the past year.

Growth of Banking in RCD Countries

3. Beginning in 1925 with the establishment of first bank with Iranian capital, Iran today has a total of twenty seven banks, including specialised banking institutions like the Industrial Credit Bank, Industrial and Mining Development Bank of Iran, Agriculture Bank of Iran and Mortgage Bank. Of these, eight are state-owned, ten private Iranian enterprises, eight mixed (Iranian-foreign) capital banks, and one an entirely foreign-owned concern. Of the commercial banks, National Bank of Iran (Bank Milli Iran), set up in 1928 as a fully state-owned institution, is the biggest with more than 200 branches, agencies and sub-agencies operating in the country. The first private bank, Bank Bazargani Iran (Commercial Bank of Iran), was established in 1949. These twenty seven banks had, in early 1964, a total of 1140 branches, a deposit equivalent to $ 864.5 million and had advanced bank credit of the

order of $ 942.5 million. The Central Bank of Iran (Bank Markazi Iran) was established in August, 1960.

4. The institutional frame-work of banking and credit in Pakistan at present consists of the State Bank of Pakistan (established in July, 1948), commercial banks, co-operative banks and specialised credit institutions like the Industrial Development Bank of Pakistan, Pakistan Industrial Credit and Investment Corporation, Agricultural Development Bank and House Building Finance Corporation. Commercial banks constitute by far the most important agency for mobilization of savings and institutional credit in Pakistan.

As against only about 195 bank offices in July, 1948 the number of branches now stands at 1538. Since the launching of the Second Five-Year Plan in July, 1960, 1108 new branches have been opened as against 235 in the preceding twelve years. Pakistani banks have also opened twenty five offices in a number of foreign countries. Apart from the wide network of commercial bank offices, there are at present four co-operative apex banks, about one hundred central co-operative banks and a number of urban co-operative banks and multipurpose societies in the country. Also there are about 16,000 co-operative societies at the primary level in which the credit societies predominate.

Along with the broadening of the institutional frame-work, the volume of banking business has also expanded significantly and has kept pace with the growth of trade, commerce and industry. Total deposits of scheduled banks stood at $1378.2 million at the end of December, 1964 as compared to $ 618.27 million in June, 1960. This represents an annual average expansion of $48.46 million in the preceding five years. Outstanding level of bank credit also rose simultaneously from $ 354.4 million in June, 1960 to $ 1261.103 million in December, 1964 giving an annual rise of $ 204.74 million in the first four and a half years of the Second Five-Year Plan.

A significant aspect of development of the banking sector in Pakistan is the fact that it has been associated almost entirely with the growth of Pakistan enterprises in the field. The number of Pakistani bank offices has increased from twenty three in June 1948 to 1468 at present. Pakistani banks account for more than three-fourth of the total bank credits and deposits.

5. There are four types of banks in Turkey viz., banks established by special law, local banks, other national banks and foreign banks. There are fifteen banking institutions established by special law having a total of 920 branches of which 646 are those of the Agriculture Bank. These are banks whose capital is either entirely or partially raised by Government. Important amongst those institutions are the Sea Bank, the Tourism Bank, the Teachers' Bank and the Waqf Bank. The Local Banks are, as their names indicate, purely local in nature and cater to banking requirements of small towns. There are only seven banks of this type at present, each having only one branch. Banks with paid-up capital and reserves amounting to over two million T.L. with functional orientation and eligible to open branches, are included in the category of other national banks. They are twenty five in number, having a total of 849 branches. Some of the important banks of this category are the Industrial Development Bank, the Tea Bank, the Steel Bank, the Mining Bank, the Cotton Bank, the Sugar and the Tobacco Growers' Bank. There are only five foreign banks having a total of sixty-four branches in Turkey. Turkey has in all a total of fifty two banks of all types having 1840 branches, including two branches of one of the banks in Cyprus. Some of the important specialised credit institutions in Turkey are the Industrial Investment and Credit Banks, the Turkish Development Banks, the Agriculture Banks, the Trade Banks, Public Banks and Public Chests and Mortgage Banks. Total deposits with banks in November, 1962 were equivalent of $ 1032.77 million and total bank credit at the time was of the order of $ 1110.5 million.

6. The following table summarises the state of banking in the RCD Region:

(1964)

	Iran	*Pakistan*	*Turkey*
Number of Banks.	27	35*	52
Number of Branches.	1140	1538	1840
Total deposits (in million $).	715.65	1378.02	528.60**
Bank Credit (in million $).	815.00	1261.103	568.37**

*Scheduled Banks only.

**Figures relate to November, 1962.

It is clear from this brief description of the growth of the banking in RCD countries that the banking system of all the three countries has developed considerably.

RCD Co-operation

7. The first meeting of the Committee on Banking and Insurance was held at Tehran in September, 1964 which was followed by another meeting at Karachi in December, 1964. At these meetings the growth of banking in the three countries was carefully studied and information on the subject was freely exchanged. Various measures for collaboration in the field of banking were discussed. These discussions culminated into a number of concrete measures for regional collaboration in this field.

8. The measures approved by the RCD Regional Planning Council and Ministerial Council include the following:

i) Each RCD country should allow opening of branches of banks incorporated in other countries of the region on a reciprocal basis and guarantee repatriation of capital and remittance of profits;

ii) Banks of one country of the region should, as far as possible, use as their correspondents local banks of the other two countries; and commercial banks in the three countries, within their existing laws, should accord preferential treatment to their local corresponding banks in the other two countries in the form of concessional charges and rates;

iii) Possibility of establishing an RCD Commercial Bank by banking companies and/or Governments of the three countries should be examined;

iv) There should be a regular exchange of information regarding relevant legislation, organisational arrangements and commercial practices among Central Banks and Bankers' Association who should, on the basis of information exchanged, undertake special studies on banking practices and prospects in the other countries of the region with a view to standardising banking procedures and practices and promoting collaboration;

v) A Manual on Banking and Insurance containing information on legislation and relevant statistical data should be brought out;

vi) For promoting contacts and understanding, the following training programme and visits should be provided for:—

a) Each of the three countries may in the initial stages receive two trainees every year, one each from the other two countries of six to eight weeks' duration in suitable courses relating to industrial financing.

b) Each of the three countries may receive two trainees every year, one each from the other two countries, in suitable courses of about eight weeks' duration relating to agricultural financing.

c) Each of the three countries may initially receive two trainees every year, one each from the other two countries, in suitable courses for a period of about two months in Banking.

d) Each of the three countries may receive four trainees every year, two each from the other two countries, in suitable courses of about three months' duration.

e) Representatives of selected financial institutions engaged in industrial credit may be invited to get together to establish contacts, exchange information and discuss problems of mutual interest.

Insurance

9. At present there are eight local and two foreign insurance companies in Iran, thirty-two domestic and forty-two foreign insurance companies in Pakistan and thirteen domestic and seventeen foreign insurance companies in Turkey. The premium income in various classes of business for the year 1961 was as under:

10. Premiums received (in currency of each country) in the year 1961:—

Branches		*Iran*	*Pakistan*	*Turkey*
		(IN MILLION DOLLARS)		
Fire		49.73	7.00	9.91
Marine		57.04	7.43	5.53
Accident		15.00	3.61	7.47
	Total General:	121.77	18.04	22.91
Life		5.21	15.67	2.94
	Grand Total:	126.98	33.71	25.85

(US $ 1 is equal to Pakistani Rs. 4.76, Iranian Rials 5.75, Turkish Liras 9.3).
(Pak Re. 1 is equal to 1.9 Turkish Liras & 15.8 Iranian Rials).

In 1963, insurance premium in general departments exceeded the figures of $ 29.2 million in Pakistan and it expected to have reached about $ 32.35 million in 1964. Life premium in Pakistan exceeded $ 17.85 million during 1962 and is rapidly expanding. It is presumed that the insurance business in Iran and Turkey will also have increased considerably since 1961.

11. The field of insurance and reinusrance, being essentially multi-national in character, offers wide scope for collaboration among RCD countries and the Committee on Banking and Insurance was able, at its first meeting in Tehran in September 1964, to agree upon several measures of collaboration in this field.

12. The main objectives of RCD collaboration in the field of Insurance as recognized by RCD countries are:—

i) to reduce the foreign exchange out-go on insurance and reinsurance services of the region as a whole and of individual countries of the region; and

ii) to improve the standard of insurance services in the three countries.

13. With these objectives in view, the following avenues of collaboration in this field have been agreed upon:

i) As an immediate step insurance companies as well as reinsurance corporations and any national insurance pools in the three RCD countries should review the position of the current treaties and any excesses available under these treaties may be placed within the region as far as possible. At the time of renewal of these treaties, a larger assignment of surpluses within the region should be aimed at, subject to technical feasibility.

ii) Three reinsurance pools should be established, one to be handled by Bimeh-Iran, one by Pakistan Insurance Corporation and one by Milli Reassurance of Turkey. These pools should cover the following classes of insurance business.

a) Fire;

b) Marine (Hull & Cargo);

c) Aviation, Accident and Engineering (including marine accident and liability insurance written in conjunction with engineering insurances).

The details of the business to be fed into these pools, which will have to be on a relatively modest scale to start with, will be worked out through mutual consultations.

iii) A permanent centre should be established in Pakistan to serve as a focal point for studying measures of collaboration in the insurance field. This centre will be located in the Pakistan Insurance Corporation.

iv) Closer technical collaboration should be established through regular exchange of relevant literature and information, provision of mutual training facilities for insurance executive of one country to companies of the others, with a view to promoting greater understanding and co-operation and leading to expansion of business.

14. The Committee on Banking and Insurance at its second meeting in Karachi in December 1964, considered concrete steps for implementation of the decisions taken at its earlier meeting. As a result, the following steps have been taken with the approval of RCD Regional Planning Council and Ministerial Council:—

i) The exchange of business amongst Bimeh-Iran, Pakistan Insurance Corporation and Milli Reassurance has been substantially increased, roughly by about four times the previous level;

ii) It has been decided that the RCD Centre should start functioning on a modest scale at an early date. Its Secretariat staff will comprise of three officials, one to be provided by each of the participating countries. These officials are to be nominated by the statu-

tory Reinsurance Corporation of the respective countries and action in this regard is in progress. It is expected that the Centre will be inaugurated in the first week of July;

iii) A Technical Committee on Insurance has been set up to examine various aspects relating to establishment of the three reinsurance pools and to prepare a concrete project for consideration of the Committee on Banking and Insurance. The Technical Committee held its first meeting on 1st of May, 1965 in Tehran and is expected to complete its deliberations so as to leave sufficient time at the disposal of the Committee on Banking and Insurance to finalise its report before the reinsurance arrangements for the year 1966 are finalised by the three reinsurance organizations;

iv) In the field of technical co-operation, each of the three countries will receive four trainees every year, two each from the other two countries, in suitable courses. The subjects of training and duration of the courses will be decided upon from time to time, keeping in view requests received from the other two countries and convenience of the host institutions.

15. Effective implementation of the measures for collaboration in the field of insurance will require that in each of the participating countries, its Government and the private sector work in unison. It is hoped that the necessary understanding in this regard will be forthcoming and the medium of insurance will be able to make its due contribution to the economic progress of the three countries.

16. During the first year of the operation of RCD, we have been able to locate possibilities of collaboration among the three countries, establish contacts and acquire better knowledge of each other's progress and problems. Though many of the concrete measures for collaboration in banking have yet to be implemented, the year has been spent usefully in preparing the ground-work and laying a broad and sure foundation for increased collaboration in the future.

ROLE OF FOREIGN PRIVATE INVESTMENT—A COMMON PROBLEM OF ECONOMIC GROWTH IN RCD COUNTRIES

By

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Upto the end of World War II and shortly thereafter foreign investment was in many ways the hand maiden of colonial and imperialistic domination. It was generally true that the helpless areas of Africa, Asia and Latin America were the subject of economic exploitation through foreign investors of Europe and North America taking away a lot with comparatively small investments. The favourable terms of trade which the foreign investors ensured coupled with the remittance of unconscienable profits gave a distinct economic slant to political power symbolised by the possession of overseas and economic gains followed the net transfer of goods and resources away from the ruled towards the rulers.

Resurgent Asian and African countries have won their political salvation only to find their economics in a state of chronic shortage, all round poverty, unemployment and ignorance, a necessary corollary of under-development. Economic development is today the greatest challenge confronting the newly-independent nations of the world. It is now generally recognised that economic development cannot be brought about by merely injecting into the economy the various physical factors of development. On the contrary, it is essential that conditions are first created which encourage a healthy economy growth. Planning has now come to be regarded as a sine-qua-non of national development programmes. In most underdeveloped countries where per capita income is low, the rate of capital formation is tardy. Private savings are not readily delivered to productive investment because of traditional forms of investment such as land, real-estate and bullion, which are deemed to offer greater security. A politically stable government following sound fiscal policies where, while providing incentives to growth avoid an inflationary situation would stimulate the mopping up of savings for productive investment. Existence of specialised institutions and agencies to collect personal savings and make investment in capital issues of industries is also essential for economic growth. Capital formation would also find encouragement in a country which provides rational taxation and tariff concessions to industry and restrains undue expansion and mushroom growth under a policy of regulated development. In most under developed countries, governments are sometimes forced to impose price and distribution control. Whereas such controls may be essential because of social objectives, care has to be exercised to see that a fair return is assured to industry.

On securing freedom from foreign domination the newly emergent countries have come face to face with grave economic problems. While it is true that newly independent countries have to mobilise

their own resources and have to stand on their own feet to meet the challenge of economic growth, the fact of the matter is that lack of skills and lack of capital formation are impediments to the early realisation of their economic objectives. It has now come to be realized that the attainment of these economic objectives can be greatly facilitated by the transfer of capital and skill from the developed countries. We thus find for the curious spectacle that what was an anathema in times of political domination now becomes a desirable objective and private foreign investment is welcomed as a partner for economic development. Foreign private investors have now come to recognise that they have tremendous opportunities for mutual benefits in taking part in fruitful enterprises in developing countries. Here and there the 'complex' created by the unsatisfactory conditions of the past inhibit the acceptance of the foreign private investment by development countries. Again here and there, the foreign private investor also suffers from a 'hang-over' of the past in claiming special status. By and large, however, during the last decade and a half mutual orientation and adjustment has taken place and it has come to be recognised that foreign private investment has a distinct role to play in promoting the economic growth of development countries.

It is in the above back ground that the role of foreign private investment is to be regarded as being essentially one of making net addition to the real resources of the country. Foreign capital, however, symbolised economic imperialism in its sinister form till various Afro-Asian countries shook off their political tutelage. In almost all these countries, the colonial powers had employed their money largely to make quick profits for themselves with little or no regard to the so-called native economics. One of the most dominating features of underdeveloped economy is the shortage of money, skilled men and machinery. In the absence of adequate domestic capital and know-how, foreign private investment becomes an absolute necessity.

Foreign private capital particularly in the form of direct investment has a key role to play in economic growth—a role which extends far beyond the statistical addition it brings to resources available to the capital recipient country. In financial terms direct investment is often preferable to other forms of private capital since it usually entails a long term addition to the host country's productive resources, provides a base for further additions through re-investment of earnings, and in some cases acts as a magnet for attracting new inflows on long term private capital. The importance lies as much in the advantages associated with financial investment as in the investment itself. In fact there is hardly a choice between foreign investment and foreign loans for a developing country. The credit worthiness of the borrowing country is inter alia determined by the record of judicious treatment meted out to foreign investment. In addition, they supplement the external resources rather than substitute them. Foreign private capital is inevitably accompanied by the intangible but important factor of enterprise. It not only conceives a project but also brings together all the human and material resources necessary for executing it. Such an investment has a snow balling effect. The foreign investor assesses the long term prospects of the country and is prepared to participate in other enterprises as well. The least tangible but not the least important effect of private investment is to make the host country a more attractive market for other foreign and local private investors.

It is increasingly realised that it is in the interest of the foreign investors to disseminate knowledge to the locals because of the advantages that may accrue by having trained local technicians who are well conversant with the market of the country, the laws of the land, and the know-how. The price at which they offer their services works out comparatively much cheaper as no repatriation allowances have to be paid. This increase in basic skilled force, technicians and managers is of immense benefit to the host country. The hired foreign technicians generally are not interested to part with their knowledge as they would like to hold on to the jobs as long as possible. The emoluments in their home country are necessarily less, otherwise they will not go to a foreign country much less to an underdeveloped country. They are not assured of the job at home, while the experts brought by foreign investors are usually employed as part of their sometimes world-wise organization.

The case of foreign private capital is strongest when it goes in search of secondary industry. The record of foreign private capital when it has gone in extractive industries is not unblemished. It has created a problem associated with dual sector economy, supplying material to the capital exporting country and feeding industries of the home country by-passing the rest of the economy of the host country. Unfortunately most of the private foreign capital has been attracted in the extractive industries of developing countries. And even this investment is on the decline.

Private capital has played a diminishing role in the transfer of resources to developing countries since mid-ninteen fifties. It declined from an annual average of 1.4 billion dollars during 1956-59 period to 1.2 billion dollars in 1960-62*. It appears that slackening of investment in the extractive industries was the villain of the peace. This has happened at a time when developing countries have needed it most. The expanding development programmes have increased the need of such capital as the gap in balance of payments has widened.

The flow of private capital is generally a mix of direct investment, portfolio investment and other lending operations which do not involve public issues. Direct investment has contributed most to private capital flows. In recent years a relatively large proportion was financed by reinvesting the repatriable earnings in the host country itself. In the face of this declining flow it may be appropriate to review the techniques and instruments which have been developed to facilities a greater flow of both direct as well as portfolio investments.

The mobilisation of foreign private capital is encouraged by national and international financial institutions. These institutions float bonds in the capital market of the developed countries. I.B.R.D. bonds amounted to $ 2.5 billion and sale of loans maturities fetched another $ 1.6 billion upto mid 1963.

Loans disbursements have amounted to $5.4 billion of which the share of developing countries amounted to $3.3 billion *. A number of financial institutions have also entered the field of development financing in private sector such as Inter American Development Bank, Commonwealth Development Finance Corporation in the U.K., French Investment Trust, Overseas Economic Cooperation Fund in Japan, Export Financing pools in Belgium, German Development Co. etc. In the developing countries, development banks and development finance corporations have been established of ten with the participation of foreign banks or international institutions. In Pakistan, the Pakistan Industrial Credit and Investment Corporation has been established with the cooperation of I.B.R.D. These institutions provide expert knowledge and special facility for identifying and developing worth while investment projects as well as seeking suitable foreign enterprise able to execute the project. They guarantee the loans in partnership with the local government.

A number of countries have established investment promotion centres at home and abroad. In Pakistan, the Investment Promotion Bureau is entirely run by the Government. The promotion function is coordinated with the development plan of the country by preparing Investment Schedules.

These Schedules follow the priorities established in the development plan. It is realised that the effectiveness of this Bureau is conditioned upon its initiative in findings projects and investors rather than waiting for applications in the fields which lack response but are accorded high priority. The Bureau

* U. N. World Economic Survey 1963.

tries to meet the needs of investors, guide them and in fact search for them in fields which are not looked for ordinarily. In the developed countries also, it is now recognised that the knowledge of specific projects has to be disseminated to the would-be investors. The U.S. Agency of International Development maintains a punch card catalogue of investment fields which provides information on some one thousand specific projects in more than eighty developing countries. The investors can secure AID financing for upto fifty per cent of the costs of feasibility studies.

Besides financial considerations, there are a host of others which cover a wide range of economic, legal and administrative fields. The developing countries have taken steps to create a healthy climate for attracting foreign investment. When reference is made to the creation of a climate suitable for foreign investment, what is meant is removal of impediments which prevent inflow of private foreign capital. First and foremost is the prevailing political philosophy of the country concerned. Fears in regard to nationalisation are to be dispelled. Secondly, there should be a fair degree of internal stability to inspire confidence for future operations of a foreign investors. Risk capital also presupposes freedom to repatriate the capital as well as to remit income earned on such capital. Taxation is also an important consideration because in the absence of adequate arrangements for evidence of double taxation, profitability of a venture would be doubtful. The investor is attracted by concessions alright but he is also concerned with the normal tax burdens under which he will have to operate after the expiry of tax concession. Very often, vigorous publicity of investment opportunities available to foreign capital is also of value in attracting foreign investment.

It would be pertinent at this stage to recall the United Nations General Assembly Resolution 1710 (XVI) designating 1960 as the development decade in which the member states were called upon to take measures which will stimulate the flow of private investment capital for the economic development of the developing countries —on terms that are satisfactory both to the capital exporting countries and the capital importing countries. Realising that nortwithstanding all these efforts since the beginning of the decade the flow of private capital to developing countries instead of increasing has in fact substantially declined. I took the opportunity of the United Nations Conference on Trade and Development held in Geneva last year to highlight this question of foreign private investment. In cooperation with my Turkish colleague on the Finance Committee, we introduced a resolution on behalf of Pakistan and Turkey spelling out not only the privileges which should be assured to the foreign private investor but also the obligations which he must understand and perform. This resolution was finally adopted by the United Nations Conference on Trade and Development and is now a part of the final Act of UNCTAD. It was almost unanimously adopted by 94 votes to one with the Socialist countries naturally abstaining. Apart from the preamble in the ten paragraph resolution, guidlines were laid down for action to be taken by governments of developed countries and international institutions to permit the flow of private capital to developing countries, action to be taken by developing countries and action to be taken by foreign investors themselves. The resolution *inter alia* requested the World Bank to expedite its studies on investment insurance in consultation with governments in both developing and developed countries and also requested the International Bank for Reconstruction and Development to submit the results of their studies on the question of establishment of machinery for settlement of investment disputes, to the United Nations. Realising that this complex field has so many facets which have not yet fully been studied and evaluated the Secretary General of the United Nations has been requested to arrange fuller studies in consultation with all concerned to cover all aspects of foreign private investment in order to enable the fulfilment of the objective embodied in the General Assembly resolution referred to above. The resolution, though it was passed unanimously as mentioned

above, evoked considerable excitement and was the subject-matter of lengthy and prolonged discussion. It demonstrated more than anything else that a number of things remained to be done not only to attract foreign private capital to developing countries but to make them acceptable to the developing countries themselves. It may be useful to emphasise that the resolution, as finally adopted, called upon the governments of capital exporting developed countries to avoid measures preventing or limiting the flow of capital from such countries to developing countries. Indeed it asked them to take all appropriate steps to encourage the flow of private investments to developing countries such as tax exemptions or reductions, investment guarantees to private investors investing in developing countries and by facilitating the training of managerial and technical staff. The International Finance Corporation was asked to examine the possibility of expanding its investment activities. To the foreign private investors, the Conference endorsed the recommendation that they should realise that foreign private investment should be based upon respect for sovereignty of the host countries, that it should cooperate with local initiative and capital, really as far as possible on existing resources in the developing countries and finally that it should work within the frame-work and objectives of the development plans with a view to supplying domestic markets and expanding exports. The desirability of re-investment of profits in the developing countries was emphasised and attention was drawn to the promotion of facilities for making know-how available to nationals of developing countries and giving them full training and employment opportunities.

While various developing countries have taken a number of measures to ensure that foreign private investment grows both in value and variety and functions unfettered within their respective territories on the lines proposed in UNCTAD resolution the finance scene in the developed countries presents a dismal picture. U.S.A. and U.K., which have been the major suppliers of foreign investment to the developing countries are in the throes of balance of payment difficulties. U.S.A. has already imposed fiscal restraints on the outflow of U.S. capital. In its latest budget, U.K., has imposed similar restrictions and these are without any exception for developing countries. The creation of European Common Market and similar other arrangements between the capital exporting countries of the world also restrain flow of capital to developing countries. Moreover, a substantial part of surplus funds which were hithertofore available for overseas investment are increasingly being captured by international financing agencies. In the future, it appears, the importance of foreign investment in the economic upsurge of developing countries would not lie as such in size as in serving as a catalytic agent for industrial development.

Reverting to our own country, on our emergence as an independent nation in 1947, we were confronted with circumstances somewhat similiar to the early 19th Century Europe. Industry was almost non-existent, financing facilities conspicuous by their absence, traditions of entrepreneurship completely lacking and other skills woefully short of needs. The investment rate was amongst the lowest in the world and gave doubts that were being expressed about our economic projects and viability as an independent nation. It was in frank recognition of the urgency of economic development that the Government of Pakistan, no sooner than it was free from the pressing burdens of reorganising the newly founded State, set about the task of economic planning and development.

Our country essentially believes in liberty and freedom and the Government has applied these concepts to the development of its economy as well. That is why, the Government through its statement of industrial policy is committed to give the widest possible scope to private enterprise in the development of the resources of the country. Government has also adopted a pragmatic approach in welcoming foreign private investment.

Direct foreign investment in Pakistan can be traced back to the setting up of the East India Company in the 17th century. Of course flag followed the enterprise then. Subsequently, tea plantation and oil attracted foreign investor particularly from U.K. In recent years during the five years period 1960-65 it is anticipated that foreign private investment contributed about Rs. 90 million per annum. During the next five years ending June 1970 it is hoped that such investment would average Rs.140 million per annum, a rise of 55%. The past rate of increase in such investment though in accordance with plan estimates has been rather disappointing. It increased on an annual average rate of 2% during the second plan period but it is hoped that this rate will go up by 16% during the third plan. Reinvested earnings have made an important contribution and are not included in the above estimates. On an average Rs. 40 million per annum have been provided by this source. The new direct investment, it appears, is not keeping pace with outflow of investment income. It is estimated that in 1963-64 the level of such outflow was in the neighbourhood of Rs. 150 million exceeding the direct inflow of private capital by Rs. 50 million*.

The Investment Promotion Bureau alone had sanctioned the setting up of 382 industrial undertakings during the period April 1959 to December 1963. This would involve a total investment of Rs.932 million of which Rs. 406 million constitutes foreign private capital. Foreign private capital has been attracted mainly from the United Kingdom, U.S.A., West Germany, Japan, Switzerland, Italy, Sweden and Holland. The United Kingdom has been much active in the capital market of Pakistan for historical and economic reasons. Lately American Capital is being increasingly attracted so much so that perhaps it is now next to U.K., only with West Germany closely rivalling it. In the manufacturing sector, textiles were most attractive for foreign investor (usually from Africa) followed by chemicals, engineering and food products.

In Iran, fifty-eight foreign establishments were established upto January 1964. The foreign investor of U.S.A. was most active in Iranian market. Oil consortium investment in Iran reflected in their balance of payment showed a level $ 22 million in 1957. This level rose to 54 million in 1958 and declined to $ 12 million in 1959†.

In the case of the other partner of RCD, i.e. Turkey, 111 foreign enterprises were active upto June 1963. U.S.A. had a share of 27 firms followed by West Germany which had 22. Turkey has been increasingly attracting foreign private capital. The net inflow of such investment was $ 7 million in 1959 jumped to $24 million in 1960 and again increased by $10 million in 1961 reaching a level of $34 million. In 1962 such movements were in the neighbourhood of $ 36 million‡.

Pakistan Government has endeavoured to make private foreign investment both profitable and secure, Government has declared in unequivocal terms that it has no intention to nationalise industries. All current income on foreign capital is freely remissible without any restrictions. Approved royalties and technical fee can also be remitted by the foreign investors freely. In addition, all new capital invested in industries including any capital appreciation can be repatriated by a foreign investor at any time. For tax purposes, no distinction is made between a foreigner and a Pakistani. The sole criterion for tax liability is residence, not nationality. In certain fields, indeed, a foreign national gets special tax concessions. Unlike the rule in certain other countries, we do not insist for any majority local participation. Pakistani tariff rates are designed to protect the country's infant industries. The protected market has made it possible for our industries to realise much higher profits than could be expected in many

*Third Five-Year Plan of Pakistan.
†Outline of the Third Plan Tir 1940 p. 192.
‡Investment Guide to Turkey, 1964 p. 129.

other developing countries. In addition, a very liberal exports incentive programme has been adopted permitting bonus and rebates to manufacturers on their export sales. Side by side with these guarantees, Pakistan has signed agreements on the avoidance of double taxation with a number of countries including U.K., U.S.A., West Germany, Japan and Switzerland. One of the main purposes of these agreements is to classify the types of income which would be liable to tax exclusively in one of the two countries and where such income is liable to tax in both countries, to devise a basis for the apportionment of such income between the two countries. These agreements also provide for grant of tax where certain income is liable to tax in both the country. Besides, Investment treaties have been executed with U.S.A. and Federal Capital of Germany.

In Iran, any capital invested in accordance with the provision of law is subject to legal protection of the Government. The Government guarantees equitable compensation for the loss, in case of expropriation of foreign undertaking. There is no rigidity in regard to local participation in a foreign enterprise. The transfer of net profit is allowed out of the country. In case of foreign exchange shortage, goods of equivalent amount can be shipped in lieu of this settlement. The repatriation of capital can be effected within a period fixed in permission letter.

Turkey also allows very liberal concessions to foreign enterprise. The Government can provide guarantee against security for a foreign loan upto 1 billion Turkish liras. Local participation is not insisted upon with foreign investment. The Government also allows repatriation of sale proceeds of foreign capital invested in approved industries. Profits that accrue in approved industries set up after 31st December 1953 can be remitted. The remittance of interest on foreign loans invested in approved industries is allowed without any limit.

The above analysis shows that the terms offered by the RCD countries to private investors are among the best offered by any country. The need of uniform laws and procedures among the RCD countries is however paramount. The following are a few suggestions for achieving the noble objectives of the RCD.

(1) The feasibility of establishment of a RCD development bank on the lines of Inter American Development Bank, should be explored. The Bank should float bonds in a joint purpose ventures and other projects. A market of 150 million people will indeed be a great attraction if the investment is protected against political risks and knowledge of investment opportunities and bankable portfolio of projects is disseminated on a wide scale. The bank should offer credits for preinvestment studies. It should maintain a list of well engineered projects on a punch card basis as maintained by US AID.

(2) The terms of intra investment should be more liberal than those offered to third countries. The fields which are not open to foreign private investment may be opened to the intra investment.

(3) An agreement to save double taxation of income of the nationals of RCD from such investment may be negotiated immediately.

(4) The three Governments should faciliate the movement of technical people in the RCD countries.

(5) There should be an active liaison and exchange of information among the investment promotion organisations of the three countries. The knowledge of the laws and regulation, banking and financial practices, investment opportunities should be exchanged among the RCD partners regularly.

The concept of Regional Cooperation for Development essentially implies pooling of resources to achieve the common objectives. The implementation of some of the measures outlined in the preceding paragraph will be in accordance with the RCD spirit and its objectives.

BASIC DEMOCRACIES

By

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Introduced in Pakistan in early 1960, the system of Basic Democracies attempts to bring dem cracy, in a most practical manner, to the people's doorsteps. It begins at the beginning, from the villa level, providing for the election of one representative, on an adult franchise basis, from every 1000 1200 persons. Working through various tiers, it enables the people to participate in the affairs of t State from the village to the national level. The elected members of Basic Democracies, in turn, ele the Head of State and Members to the National and Provincial Assemblies.

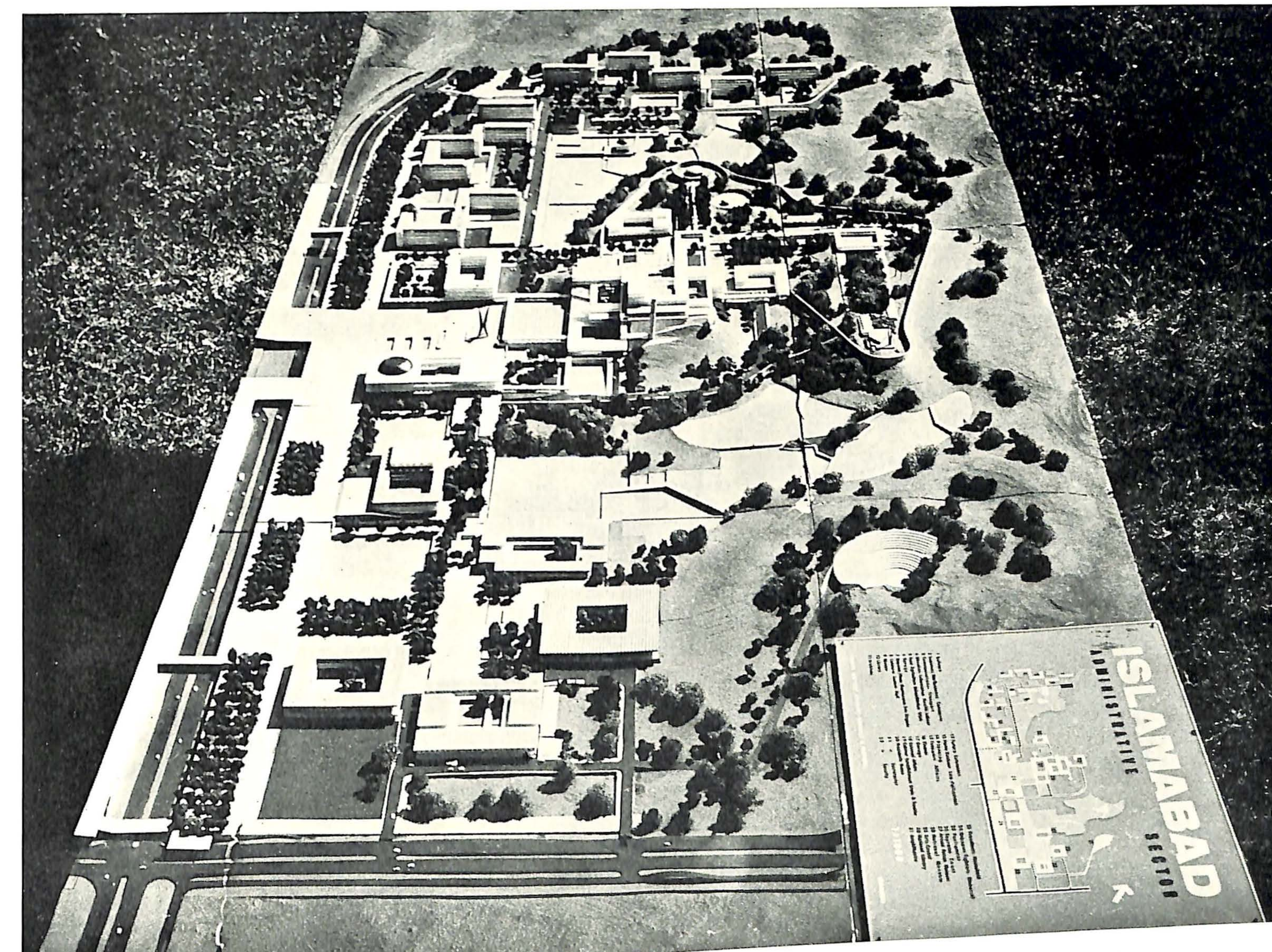
Basic Democracies are organised in four tiers. At the first tier are the Union Councils, Tov Committees or Union Committees; at the second, the Tehsil Councils or Thana Councils; at the thir the District Councils; and at the fourth, the Divisional Councils.

For the purpose of the first tier, the two provinces of the country, East Pakistan and West Pak tan, are divided into Unions, Towns and Cities. The Unions are units of rural areas, covering abo 101,560 villages, with a total population of 80 million, that is, more than 85 per cent of the country population. The Towns are urban units. In the case of a Union or Town, the population does n exceed 14,000. Cities themselves are divided into Unions, which correspond to the Unions els where.

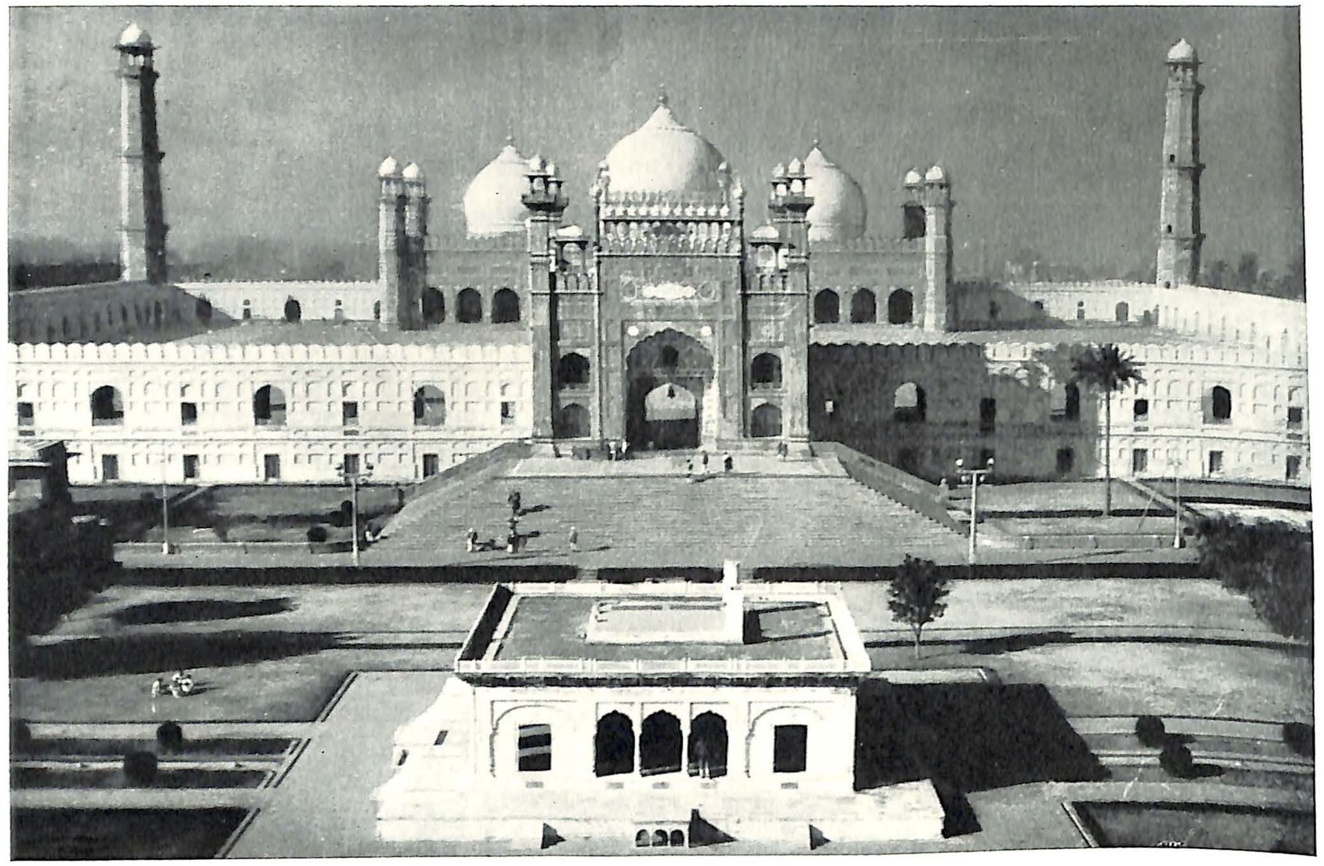
The Union Councils are for rural areas, Town Committees for the Towns and Union Committe for Unions in the Cities. There are 7,374 Union Councils, 228 Town Committees and 815 Unio Committees in the country. Each is divided into wards or electoral units of a population of 1,000 1,200, and every ward elects a representative to its Council or Committee. All members of these Cou cils or Committees are thus elected on the basis of adult franchise and, in each case, the members ele a Chairman from amongst themselves.

The higher tiers correspond to the levels of the provincial revenue administration. The Pr vinces are divided into Divisions, headed by Divisional Commissioners; the Divisions are divided int Districts, headed by Deputy Commissioners. The Districts are, in turn, divided into Thanas in Ea Pakistan and Tehsils in West Pakistan. A Circle Officer is in charge of a Thana; and a Tehsil Office of a Tehsil. There is also a sub-Divisional Officer, ranking between a Deputy Commissioner and Circle Officer or Tehsil Officer.

The Tehsils have Tehsil Councils; the Thanas, Thana Councils; the Districts, District Councils and the Divisions, Divisional Councils. These Councils consist of elected or representative member and official members, whose number does not exceed that of the former. Official members belong t the revenue administration and the nation-building departments responsible for Agriculture, Co

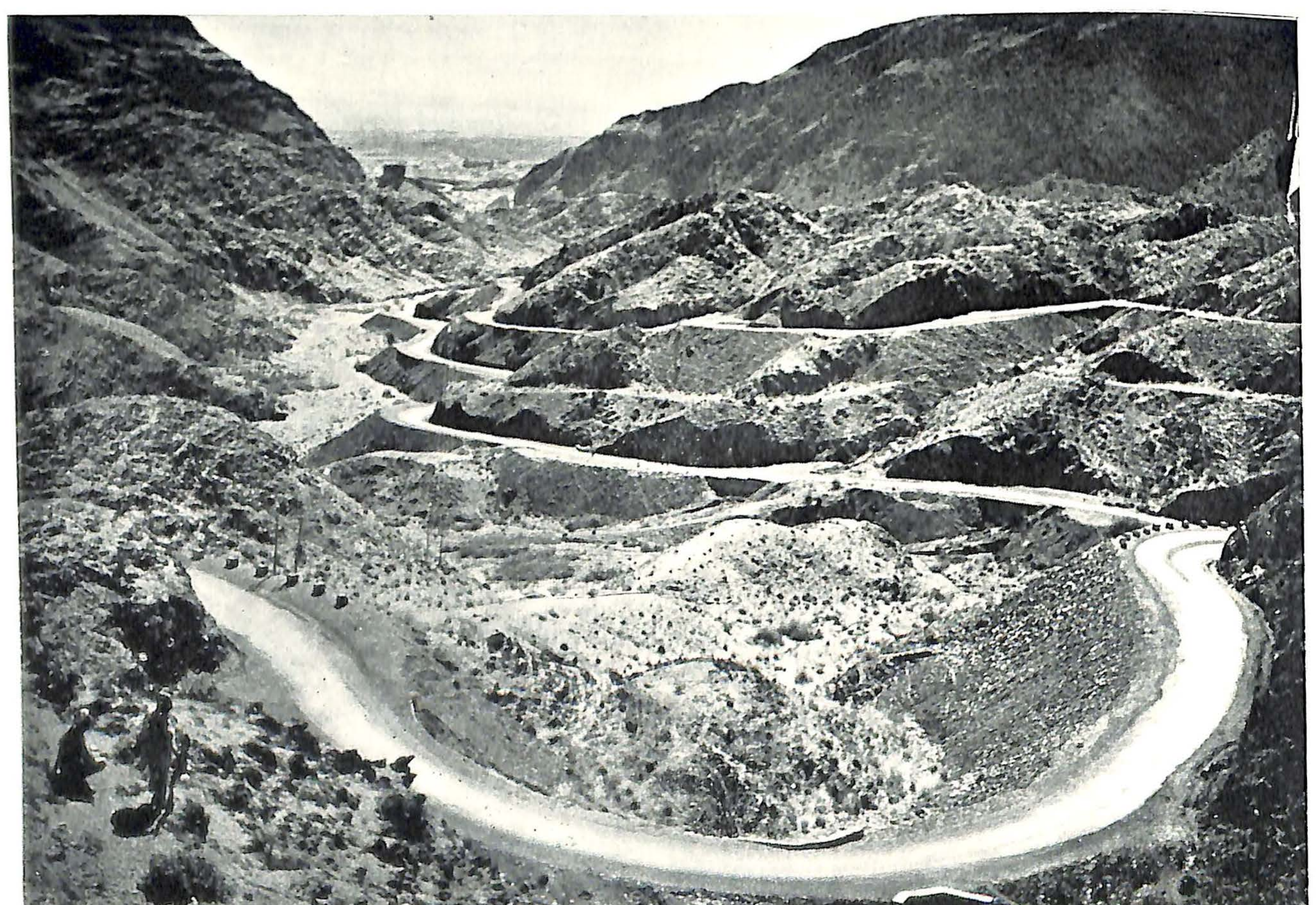


Islamabad—Model showing the Administrative Sector which will house the President's House, the Secretariat, the National Assembly, the Supreme Court and a group of Cultural buildings.



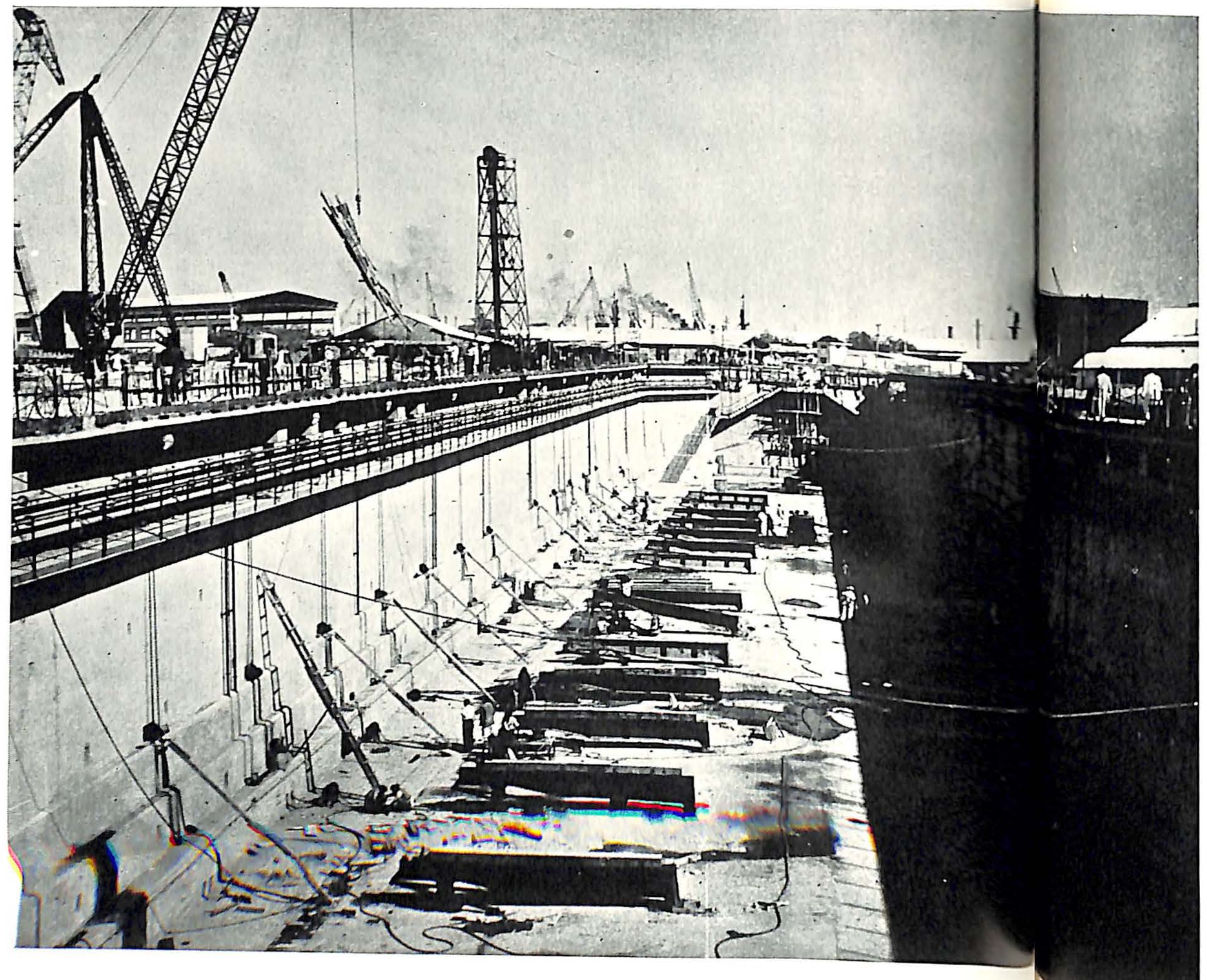
The Badshahi Mosque, Lahore.

The Khyber Pass.



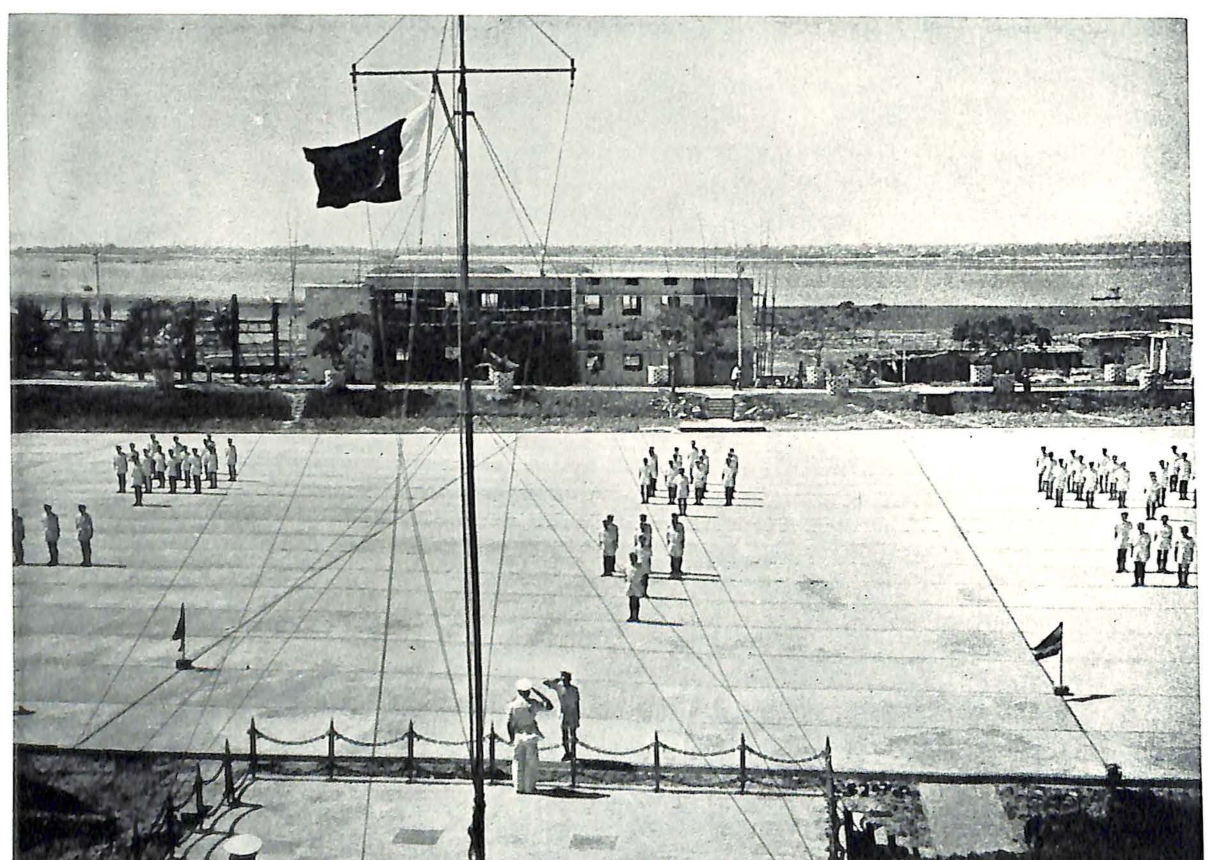


Islamabad—Another view of Landscape.

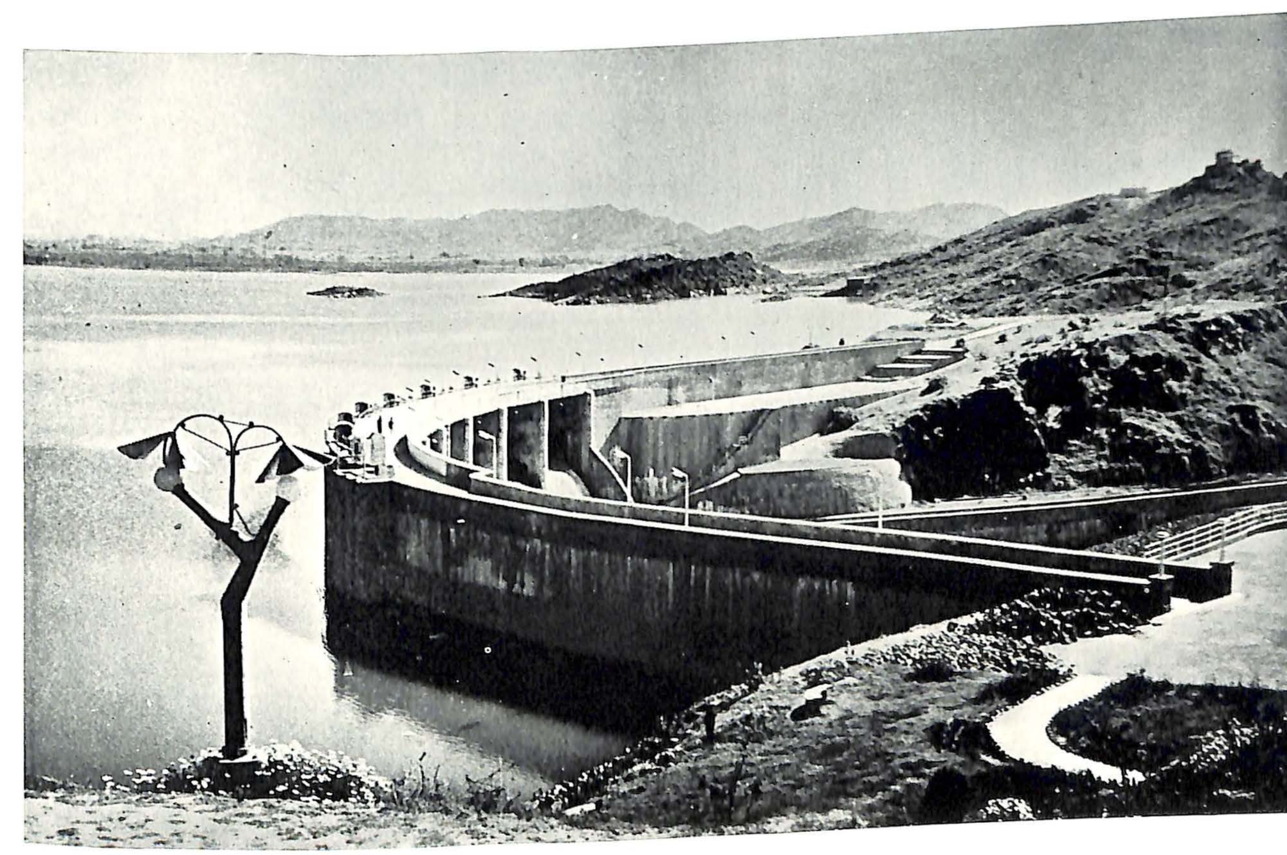


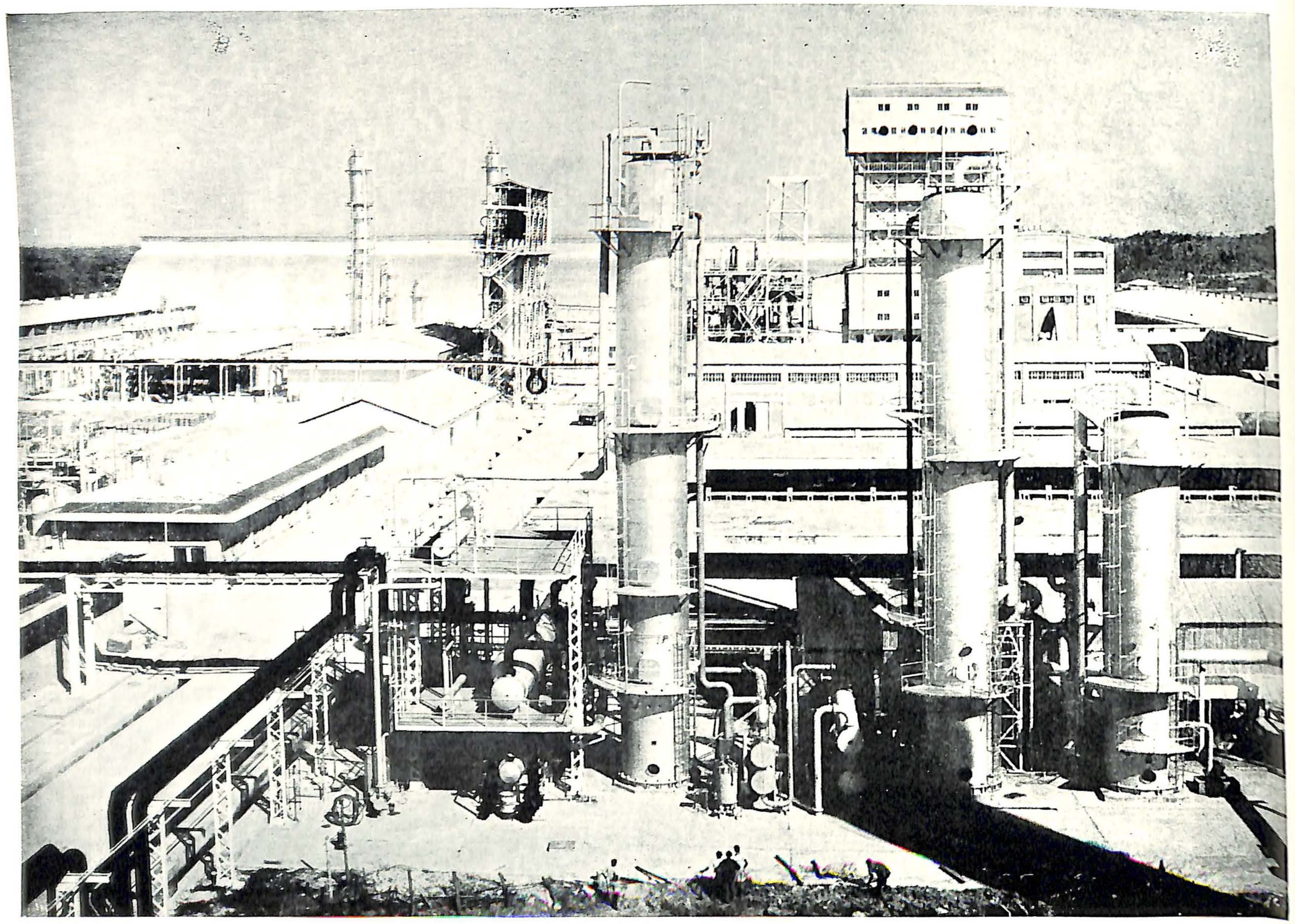
Karachi Shipyard.

Marine Academy, Chittagong.

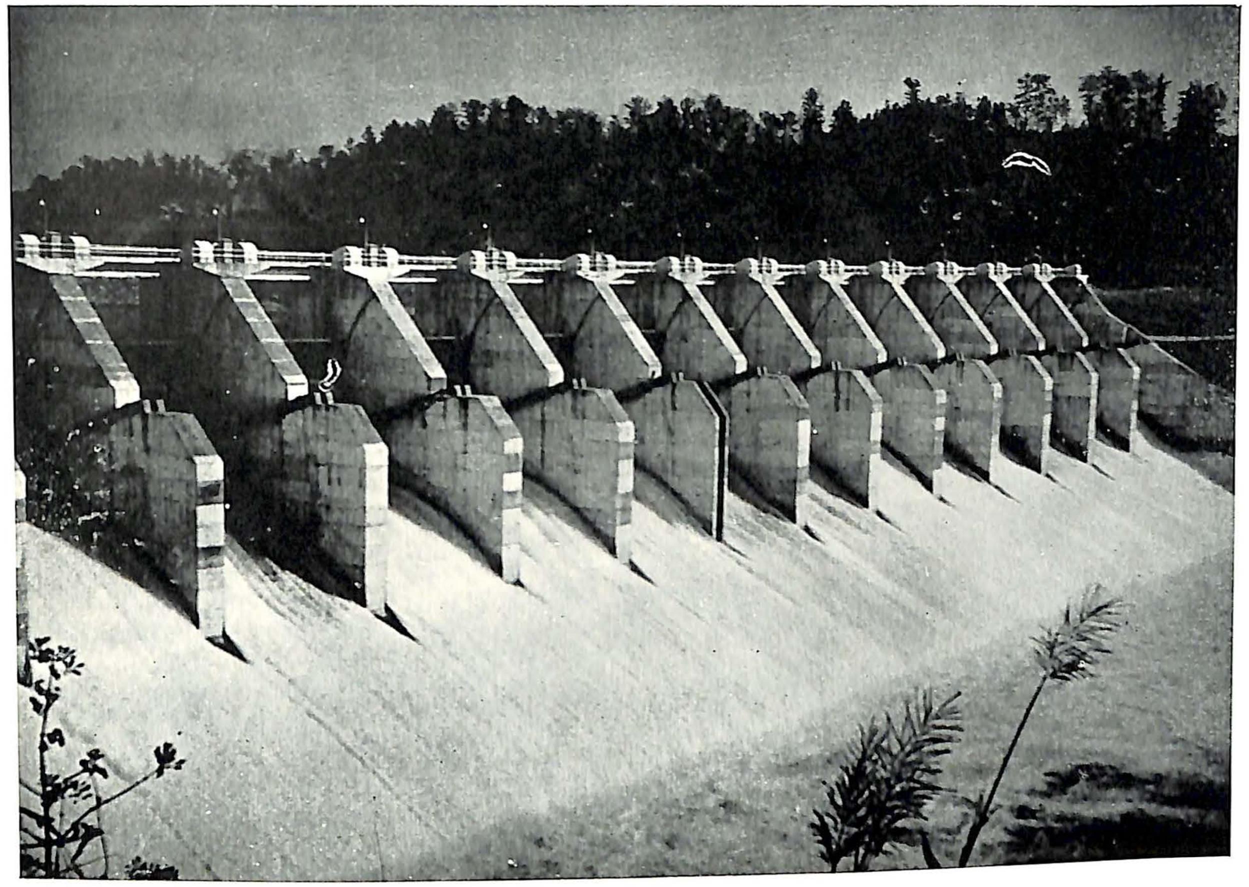


Rawal Dam, near Islamabad.



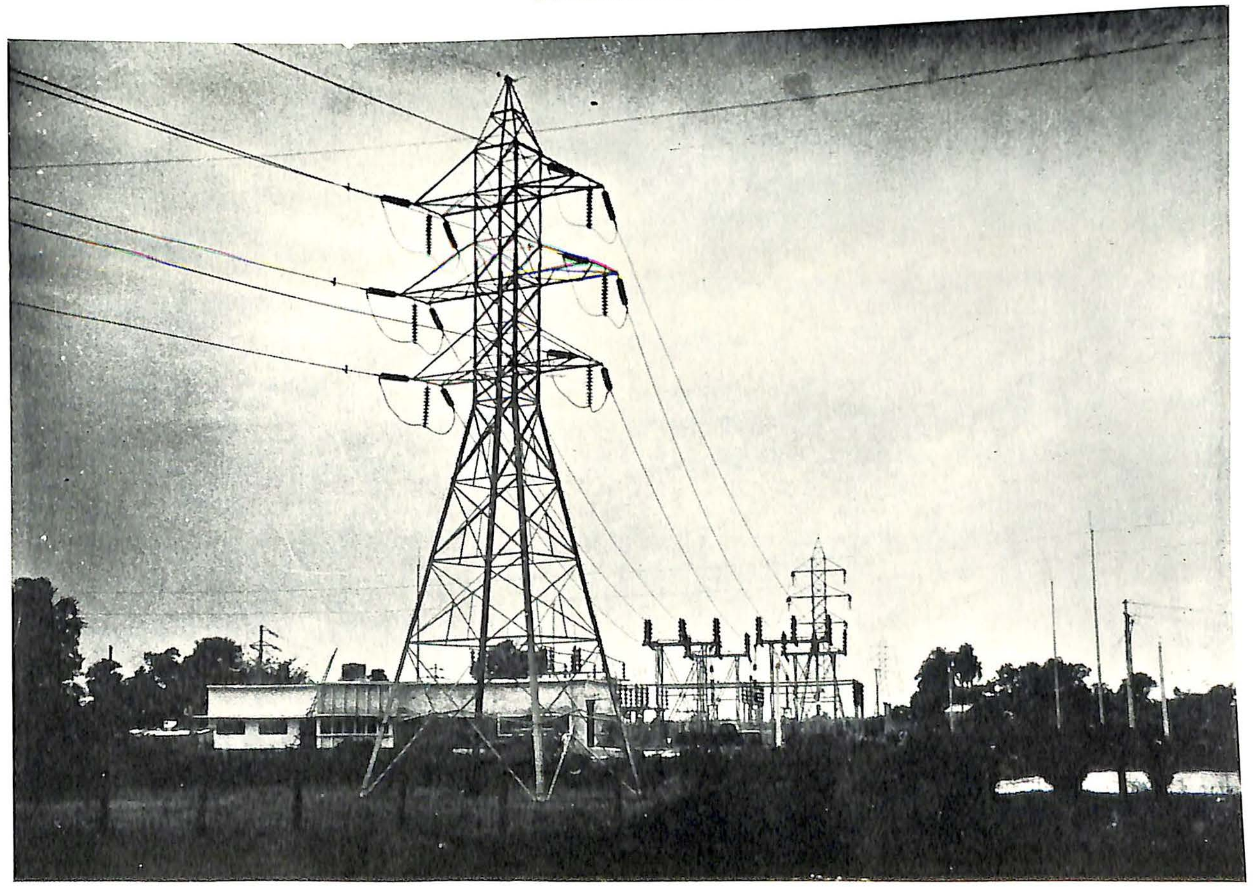


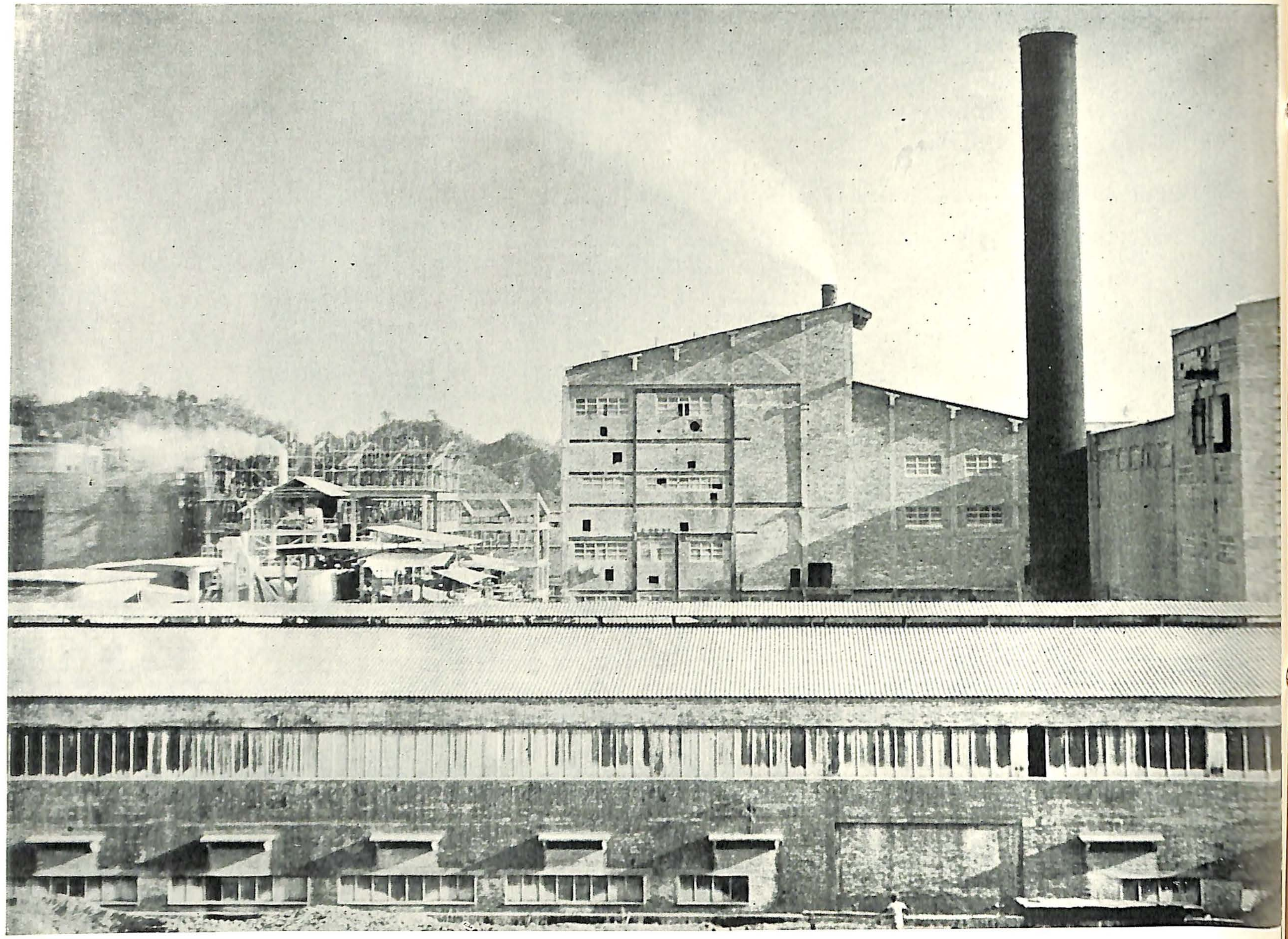
Natural Gas Fertilizer Factory, Fenchuganj, East Pakistan.



Spillway, Karnaphuli Hydro Station, Kaptai, East Pakistan.

Telecommunication near Comilla, East Pakistan.





Karnaphuli Paper Mills, Chandragona, East Pakistan.

operatives, Education, Health, Animal Husbandry, Public Works, etc. In each case an officer of Basic Democracies and Local Government Department acts as Secretary. Representatives or elected members, Chairmen and Vice-Chairmen are provided as follows:

The Chairmen of the Union Councils and Town Committees are ex-officio representative members of the Thana or Tehsil Councils. The Chairman of the Thana Council is the Sub-Divisional Officer or, in his absence, the Circle Officer. The Chairman of the Tehsil Council is the Sub-Divisional Officer or the Tehsil Officer.

The Chairmen of the Union Committees are ex-officio members of the Municipal Committees in cities, in which the Union Committees lie. (Though the Union Committees are incorporated into the Municipal Committees, the latter are treated as distinct from Basic Democracies in order to meet the special requirements of the cities).

The Chairmen of Union Councils, Town Committees and Union Committees within the District, elect representatives to the District Council of that District, while the elected members of each District Council elect representatives to the Divisional Council of its Division. The Deputy Commissioner is the Chairman of the District Council, which elects one of its elected members to be its Vice-Chairman. The Divisional Commissioner is the Chairman of the Divisional Council.

The bringing together of the official and the representative elements, in a co-operative endeavour towards socio-economic development, is one of the chief merits of the system of Basic Democracies. It is essential in a developing country like Pakistan for two reasons. First, the elected representative imparts public sanction, and the official effectiveness, to Basic Democracies. Without the co-operation of the officials of the nation-building departments, the aspirations of the people are not likely to take an effective, practical shape. The country is new to the problems of modernisation and a vast majority of its people are unaware of the demands of socio-economic developments. Secondly, the participation of the official tends to neutralise or reduces the influence of pressure groups, if any, on the decision of the elected representatives. In a democratic set-up, particularly in emerging nations, an elected representative is highly vulnerable to pressures from his electors whose support he requires for his re-election. Democracies have proved themselves to be live and growing institutions, progressively bringing about a transformation in the entire fabric of Pakistan's society. In fact, they embrace practically all the essential phases of people's lives, enabling them to play a vital role in shaping the social and economic pattern of the community and the nation. This role becomes meaningful for them as they participate in the effective exercise of administrative responsibility at all levels, and at all key-points.

The local government functions are assigned to the first and third tiers. The second and fourth tiers are mainly responsible for co-ordination. The functions envisaged for the first tier cover a wide range, and can be classified under four heads:

(a) Administrative functions, including police and defence, as well as revenue and general administrative functions.

(b) Civic functions, *e.g.*, provision and maintenance of public places, lighting of public ways, management of shamilats, prevention of encroachment, sanitation, maintenance of water supply, etc.

(c) Developmental functions, such as agricultural, industrial and community development, development of co-operative movements, forests, fisheries, etc.

(d) Judicial functions, adjudication of family disputes, conciliation, etc.

The functions assigned to District Councils are administrative-cum-coordinative, civic and deve-

lopmental, covering more than seventy subjects under the heads of Education, Social and Economic Welfare, Public Works, Culture and Health.

For decades the development of rural areas suffered from neglect. Basic Democracies have, for the first time, offered a mechanism for implementing schemes of local importance. The massive Works Programme introduced in the two Provinces has transformed the rural scene, opening new vistas of economic development in the remotest areas of the country. A sum of Rs. 300 million has so far been invested in schemes under this programme in East Pakistan and an amount of Rs. 100 million in West Pakistan. There is a provision of Rs. 250 million for East Pakistan and Rs. 150 million for West Pakistan during the current financial year, 1964-65. According to the Outline of the Third Five-Year Plan (1965-70), Rs. 1,500 million have been provided for East Pakistan and Rs. 1,000 million for West Pakistan.

Similarly, in urban areas, Basic Democracies have focussed attention on the local needs and problems by planning and executing suitable projects.

Regarding judicial functions, the Councils are authorised to decide disputes regarding maintenance of family, divorce, second marriage and similar matters. Justice has been made speedy and economical, which is a boon to the people living in the rural areas, where the judicial organs of Government are not near at hand. A specific feature of these courts is that they try to tackle the root cause of disputes and to affect amicable settlements instead of confining themselves to awarding punishment, thereby promoting amity and trust among the villagers.

By thus initiating the elected representatives of the rural population into the exercise of responsibility as well as authority, Basic Democracies have helped create the climate for a new leadership. The elected representative is required to enlist the support of his community in local development projects. The functions of the Councils show that their success lies in harnessing the moral and material resources of the people. This is possible if the elected members of the Council display qualities of leadership that can command public support.

It would, therefore, be appropriate at this stage to mention the constitutional role of the Basic Democrats—peoples' representatives elected to the Union Councils, Town Committees and Union Committees. They form an Electoral College and elect the President of the State and the Members of the National and the Provincial Assemblies. Unlike the electoral system envisaged in the pre-Revolution period, the present system reduces opportunities for undemocratic conduct behind a so-called democratic facade. It ensures that a candidate meets face to face with the elected representatives of the people to explain his programme to them and answer their questions and criticism. The representatives are numerous enough to form an adequate sample of the people. These representatives, coming from small constituencies, are elected by persons who know them for their reliability and competence.

The system of Basic Democracies is thus the first ever experiment at evolving representative institutions suited to the genius and the needs of the people of Pakistan. It is not based on imported theories of democracy, nor is it an imitation of an administrative pattern applicable to a foreign country. Among other things, it neutralises the effects of illiteracy and unfamiliarity with complicated problems and provides an opportunity to the people to elect representatives who are known to them and are amenable to their moral pressure. Its simplicity enables the people even at the village level to associate themselves with the administration of their own affairs in an understanding and purposeful manner. It also brings together the aspirations and interests of the people and the administrative and technical efficiency of the officials. It provides the people with an opportunity to acquire political knowledge and the experience of solving their problems collectively, thus paving the way for the gradual transfer of administrative responsibility to the people themselves.

ECONOMIC DEVELOPMENT AND AN EGALITARIAN SOCIETY

By

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Political freedom in newly independent countries has led to a general awareness and upsurge for the economic and social emanicipation of their people. The objectives of their efforts generally are to secure rapid economic growth and expansion of employment, reduction of disparities in income and wealth, prevention of concentration of economic power and creation of attitudes and values of a free and egalitarian society. Since the bulk of their people live so close to the margin of poverty, their claims of social justice, of the right to work, of equal opportunity and minimum level of living have great urgency. Apart from any social or humanitarian consideration, these objectives also have political reasons, for no Government which does not recognise the aspirations of the masses for a better living conditions and for social justice can stay in power in a free society. Their developmental activity must, therefore, be so organised that the tests of production and growth and those of equitable distribution and social justice are equally met.

A high rate of economic growth sustained over a long period is considered as an essential condition for achieving a rising standard of living for the people. This requires that investment should be stepped up, particularly in those sectors where the input, output and capital output ratios are low. Increase in population and need for investing in sectors, which though socially desirable should be given low priority on economic considerations, hamper the attainment of such a high rate of growth. Experts, however, rarely agree on the strategy of development planning and the methods of achieving a sustained high rate of economic growth. One school of thought lays stress on increasing savings and investing them economically. Others advocate the promotion of a class of energetic entrepreneurs, businessmen and technicians. Some suggest institutional changes in the society for making it development oriented. There is, therefore, no set model that could be followed by all developing countries. They can learn from all that has been said and done; but the strategy that each has to follow will depend upon their social set up, the priority in their objectives, their political philosophy and a multitude of other factors.

One of the important questions faced by the planners of under-developed countries is how to allocate their resources amongst various sectors to attain a sustained rapid rate of growth. Some suggest that one should concentrate on some 'growing points'. High priority should be given to sectors which have low capital-output ratios. This growth philosophy demands that expenditure on industry, agriculture and power should be given high priority and housing, health and social services be given

low priority. Although it is conceived that an improvement in housing, health and social welfare will also lead to an improvement in human efficiency, it is seldom argued that the consequent economic gains are likely to outweigh the gains from investment in economic projects. The expansion of these services can be justified on social and not on economic considerations. It has been noticed that some developing countries are full of ideas of national health schemes, social security benefits, sanitary housing, and other similar social welfare projects. Such programmes are not conducive to a rapid rate of economic growth. Of course one cannot deny moderation in such programmes.

The policy of giving high priority to economic sectors has been subject to criticism. It is argued that it lays too much stress on 'materialistic' aspects and very little on the social aspects. It ignores some very fundamental aspects of society. Economic gains are not the predominant factor in a man's life; social welfare is no less important. This criticism is not valid. Maximisation of economic and social welfare is a long term objective and in the short period these objective cannot be achieved. Here the question arises, whether a sustained rapid rate of economic growth through concentrating on some focal points can help attain the long term objectives as early as possible, or the policy of spending resources on large economic and social sectors would help achieve them. It can be convincingly argued that a rapid and sustained rate of economic growth can help in the establishment of a welfare state. In this context one recalls what the President of Pakistan was pleased to remark when inaugurating the RCD Ministerial Council at Islamabad in March 1965: "While it is true that Man does not live by bread alone, it is equally true that he cannot live without it".

The first condition for securing equality of opportunity and achieving a national minimum is assurance of gainful employment for all. In an underdeveloped country failure to provide gainful employment can be traced to certain fundamental deficiencies in the economic structure. This deficiency can be removed through sustained investment in those sectors of the economy which contribute to a high rate of economic growth and consequently to greater employment opportunities. As a country progresses, the level of unemployment is reduced and a stage is reached when social security, employment benefits and such other schemes could be undertaken. In the early stage of economic development embarking on such schemes, will, due to paucity of resources, either spread the benefits so thinly that they will not be felt or will cover only a restricted number of people, which will not be socially desirable. Such programmes should follow the establishment of a substantial economic base and not precede it.

Almost all underdeveloped countries have plans underway for theire conomic development. While planning for a rapid rate of economic growth, they have to face a question of vital importance, whether it is through public enterprise or it is through private enterprise guided and encouraged by Government policies that a rapid rate of economic growth can be achieved? The decision on the alternative choices or a blending of the two is largely conditioned by the political philosophy that a country is following. In countries dedicated to a socialistic pattern of society as a national objective, the public sector is utilised to the maximum extent whereas a country stressing the market mechanism and private property makes the maximum use of private enterprise in achieving its national objectives and entrusts to the public sector only such functions which the private sector is unable to perform and those which are essential and of strategic importance.

It has been argued that a rapid expansion of the public sector would materially contribute to increasing public savings for investment, thereby making it possible to increase the rate of growth. The particular advantage of the expansion of the public sector from this point of view is that a possible conflict between efficiency and distribution of income is, to a large extent, eliminated. Increased profits which in the private sector would create inequalities and possible conspicuous and wasteful con-

sumption, can in the public sector be directed towards capital formation. By efficient operation and following a rational and economically sound price policy a public enterprise can secure adequate returns on capital employed and contribute its full share in increasing the portion of national resources devoted to investment. The basic point put forward in favour of public enterprise is that the profits which accrue do not belong to an individual or a group of individuals as in a corporate private business. Also the private sector has to be controlled by regulations but in the public sector the pattern can be controlled in a positive way.

Public enterprise seems to have certain advantages in achieving a rapid rate of economic growth. The question however rises whether a high rate of growth can be attained by encouraging and guiding private enterprise through incentives and fiscal and other policies without taking recourse to public enterprise. It is possible that through incentives and fiscal and other policies government can guide private enterprise into desirable channels. This will ensure a high rate of growth and maximum freedom to private enterprise. The argument that in the development of private enterprise only a few individuals or a group of individuals would benefit does not hold good in the present private enterprise system. The present pattern of development of a free society is that individual proprietorship, partnership and private limited companies are increasingly being replaced by public limited companies wherein any member of the society can participate and share the benefits. Thought is being given to modifying the institution of managing agencies to prevent its abuse as a means for continuous control over the affairs of a large company with a comparatively small investment. Moreover, the accumulation of wealth in a few hands can be discouraged through fiscal and other policies thereby reducing the economic disparity in various groups of people.

In recent years the wisdom of developing public enterprise under rigid centralised planning and making it the chief source of achieving national objectives has been criticised even in countries that are following a socialistic pattern. The experience gained in these countries indicates that public enterprise has not been as efficient as private enterprise and that if the facilities available to public enterprise had been accorded to the private sector, development would have been faster and greater. There are certain distinct advantages in the private sector which make it more conscious of profits and costs, and is more flexible in operation than the public sector. The professional executive class has still a long way to develop in countries such as Pakistan. Even in the industrialised countries of the West pecuniary benefits such as share options and profit sharing by way of bonuses have to be provided to the business executive class to give them the private enterprise flavour and avoid what Parkinson calls "built-in inefficiency" of public corporations.

The approach of Pakistan towards public and private enterprise is a pragmatic one viewing with favour a mixed economy stressing the private sector. In order to appreciate the basis of this approach one will have to look to the economic and social conditions prevailing in the country in 1947 and the basis of its political emancipation. As a free society based on a liberal interpretation of Islam it had to follow policies that would provide freedom of thought and action and ensure economic and social justice. On the economic front, it inherited an economy which was extremely underdeveloped. It produced 70% of the world's jute but had no jute mill; it produced large quantities of staple cotton but had only a few cotton mills in operation. Cultivation was antiquated and unscientific yielding poor results. Means of irrigation needed urgent improvement. Vast resources lay untapped and to utilise them immense capital and skills were needed. Hydro-electric power has still to be harnessed. Commerce and banking needed replacements; the ports were not fully equipped to handle the increasing quality of incoming and outgoing cargo. In the face of these problems it had to follow policies that

would ensure a rapid and quick amelioration of economic and social conditions without unduly encroaching upon the freedom of individuals.

The private sectorh ad neither the will nor the resources available for the rapid economic and social development of the country. The public sector, therefore, had to play an important role primarily through providing basic infrastructural facilities, by guiding the private sector into the desired channels and taking up such enterprises in which private enterprise was either unwilling or unable to come forward. It is not very well appreciated that the public sector in Pakistan is a very large one and that it has contributed in considerable measures to the economic development of the country. The railways, posts and telegraphs, power and irrigation facilities, and ordinance factories are cases in point. Without them there could be very little economic activity and their contribution to the national income is by no means a small one.

In development planning an attempt has been made to strike a harmony in the public and private sectors so as to ensure achievement of the national objective of accelerated economic growth. In the First-Five Year Plan, against a total investment of Rs. 10,800 million, Rs. 7,500 million was allocated to the public sector and Rs. 3,300 million to the private sector. The allccation of the public and private sectors in the Second Plan (1960-65) was Rs. 14,830 million and Rs. 11,500 million respectively, and in the Third Five-Year Plan (1965-70) Rs. 30,000 million and Rs. 22,000 million respectively. The policy of the Government to encourage private enterprise as far as possible has proved fruitful as investment in the private sector is increasing at a rapid pace. Yet the public sector has not been dormant. Its function is primarily that of setting up key industries where private entrperise is lagging, of building up an infrastructure capable of sustaining and of promoting a highly developed economy, and of providing welfare services (health, education etc).

In certain cases the public sector was constrained to participate for other reasons. The Shipping Corporation has been formed as a reaction to the inefficient operations of the private companies. Fear of monopoly mal-practices has also led the Government to retain some strategic industries.

Social considerations have also inspired public sector operations in other ways. For example, private enterprise is reluctant to invest in the more undeveloped areas, both because the immediate market is restricted and the infrastructure deficient. But while it may be uneconomic in the short run to invest in such areas, the development of the area, which would follow from such investment, tends to make this investment profitable, even on economic grounds, in the long run. And the public sector is the natural agent to foster this sort of development, for it alone possesses both the resources and the duty to eschew the goal of immediate profit in the larger social interest.

The policy of developing a mixed economy has paid dividends. On the one hand high rates of growth have been maintained. On the other, the creation of imbalances and bottlenecks has been by and large prevented through public sector operations where private enterprise was timid. An attempt has been made to avoid excessive regional inequalities by guidance (discriminating tax holidays) and direct participation in ventures in the relative underdeveloped areas by the public sector. Welfare services and social development made the first strides away from an inhibited past. By these means, the excesses that have characterised the initial development of both capitalist and socialist countries have been avoided, and the process of basic structural change has proceeded without inflicting intolerable stresses and strains.

A policy, in which the public sector in addition to guidance and influence, takes up the residual items in the list of priorities of development is not unique to Pakistan. It almost follows from the nature of the current development process in countries allowing free enterprise. It commends itself as a practical approach to the problems, an approach that does not draw too rigidly from political philosophies. Raw entrepreneurs are too timid to invest in projects where costs are high and returns low. If these projects rate a high priority on some other grounds, such as social welfare or national defence, the State undertakes them. This limitation on the sphere of public sector actively contains a bias in favour of private enterprise. This bias can be defended on grounds of efficiency. Private enterprise, as mentioned earlier, is generally more responsive to profits and costs and a great deal more flexible. And a professional executive class, so important to an economic bureaucracy, is not yet present in sufficient numbers in Pakistan.

There still remains a powerful argument against accelerating the growth of the private sector-economic concentration and income inequalities are fostered. The Government has not sat idle on this. The President of Pakistan in his Manifesto has given an undertaking "to provide for the widest possible and most equitable distribution of wealth", "to adopt all practical means to raise the income of the common man so as to reduce the disparity between the rich and the poor", and "to eliminate cartels and monopolies".

The Deputy Chairman, Planning Commission, has stated that a major objective of the Third Plan (1965-70) is "to make substantial progress towards achieving certain specific social objectives such as diminishing inequalities in the distribution of income, wealth and economic power, providing a measure of social security and promoting social and cultural change conducive to accelerated economic expansion".

The Government of Pakistan has already taken, *inter-alia*, the following measure to broaden the ownership of industrial capital and to promote greater social justice:

i) All public companies are required to offer to the general public at par at least fifty per cent of the issued capital.

ii) In the allotment of shares to the general public, preference is being given to smaller applicants.

iii) The ownership of shares is being progressively broadened through the operations of the National Investment Trust. Its Fund now consists of 90 million rupees spread over 94 companies. The middle class and small investors are participating in ever increasing numbers as can be gleared from its 17,000 units holders.

iv) Companies in which the public is substantially interested have been shown a distinct preference by the fiscal system, thereby encouraging the dispersal of shares held by big groups.

v) A Peoples Credit Department has been established in the National Bank of Pakistan to cater to the credit needs of the smaller entrepreneurs.

vi) Permission is refused to holders of large industrial undertakings to open financial institutions like banks and insurance companies.

vii) New taxes, like Wealth Tax, Capital Gains Tax and Gift Tax, have been imposed with a view to reducing the concentration of wealth in a few hands.

viii) The monopoly of category holders has been weakened by the introduction of the import liberlization programme.

ix) By maintaining a high minimum level of taxable income, increase in the earned income relief and provision of education allowance, a bias has been created in the tax structure in favour of low and middle income groups.

In his recent budget speech the Finance Minister stated as follows:

"The process that we had initiated, with the steps I have just mentioned, is now to be carried forward under the guidance of the President and within the framework of his Manifesto. We are taking the following specific measures:

i) Wherever there is a risk of the emergence of monopoly units, we shall introduce the "presence" of the public sector so as to safeguard the national interest. The public sector in these cases may be associated either with the management or the financing of such enterprises or with both.

ii) It will be the endeavour to encourage new-comers into the field of simple manufactures like textiles, sugar, cement, etc., and to increasingly divert the investments of the established groups to producer goods industries and such industries as require higher outlays, longer gestation periods and advanced technical know-how and managerial skills. To prevent concentration of economic control, such parties as are given permission to manufacture basic raw materials or components will not normally be allowed to manufacture semi-finished goods or finished goods which can be produced by smaller units.

iii) There have been complaints that bank credit is not freely available to new-comers and is getting concentrated in a few bank accounts. This is an unhealthy trend both for the future safety of bank advances and for the growth of new enterprise in the country. The State Bank is considering measures to require every bank to set aside an increasing percentage of its total advances for the small borrowers over a period of time. The State Bank will also watch that credit to any single party remains within limits.

iv) I have already mentioned the various measures that have been taken to diversify the ownership of capital in the industrial field. To carry this process further, fresh capital issue will be permitted subject to the condition that 60% of the shares are offered to the general public instead of the 50% now prescribed. We are considering a further condition that applicants for the allotment of 100 shares or less should, as a rule, be fully accommodated before any allotment is made to those applying for a larger number of shares.

v) You would recall that a Study Group was established in 1963 to suggest policies and measures for prevention of growth of trusts, cartels and other forms of restrictive practices directed against the interest of independent business and the consuming public. The Study Group has since submitted its report to the Government. The empirical studies undertaken by the Group have brougth out that there are indications of emergence of cartel-like arrangements and partial or near-monopoly situations as well as definite signs of vertical integration in certain cases. I am sure the members of this House will agree that the forces of competition should be given maximum play in the interests of economic efficiency and social justice and we must be fully equipped to take action against arrangements designed to restrain free competition to the detriment of the consumer. Accordingly, we are considering the enactment of a law to regulate:

a) vertical integration implying the control of a single party over manufacture, distribution and marketing of any particular commodity or its components;

b) inter-locking of industrial and financial capital;

c) any monopolistic or restrictive practice or agreement aimed at prevention, restraint or distortion of competition like fixation of prices, limitation of production, marketing technical development or investment: etc.

vi) We are also giving serious thought to amending the Company Law in the light of the Company Law Commission's recommendations in order to protect the interests of investing public and to streamline the provisions of the law.

vii) In order to encourage savings, particularly by people of modest means, we are proposing a number of steps. The present limits of holdings in Savings Certificates will be raised for an individual from Rs. 30,000 to Rs. 50,000, for two joint holders from Rs. 60,000 to Rs. 100,000 and for cooperative banks to Rs. 500,000. A new series of Saving Certificates called the Defence Saving Certificates, will be introduced with 5 years' maturity and carrying a 5% rate of interest and benefit of exemption of interest from income-tax if held till maturity. The interest rate on Post Office Saving Bank deposits will also be raised.

viii) The Government is also alive to the need of strengthening the Securities Market and providing all necessary incentives to small investors. The NIT, which was established with the primary object of associating the small man with the industrial development in the country, is currently given an option to acquire 20 per cent of the local capital issued by any public company. The Government would ask the NIT not to disinvest the holdings it thus acquires within a period of two years so that an element of greater stability is imparted to the stock market. In special cases, where the NIT has strong reasons for selling these shares within the period of two years in the larger interests of the unit holders, it will be able to do so only with the prior approval of the Government.

It can also be argued with some force that the very growth and success of public limited companies means that private sector development may not necessarily lead to excessive inequalities. Further, where unemployment is so large the generation of additional employment, even when accompanied by high rates of profits, can be held to redistribution incomes. Growth in this sense leads to a redistribution of incomes. But it still has to be admitted that the two objectives can conflict for those who are already employed. It is here that a crucial socio-economic decision has to be made: at what price economic growth? How much equity in the distribution of incomes and wealth are we prepared to sacrifice for the sake of a high rate of growth?

Pakistan's Third Five-Year Plan does not appear to envisage radical changes in the policy towards the private sector. There will, however, be a marked shift in activities which will increase public sector participation.

There are several good reasons for this. To begin with, a change is envisaged in the pattern of industrilisation: away from the predominantly consumer goods industries which have characterised our development in the past, to the basic and heavy industry complexes, such as petro-chemicals, machine tools, heavy engineering and electrical goods, fertilizer plants, etc. A substantial part of this investment may have to be in the public sector since these industries require very large amounts of

capital, have long gestation periods, and yield relatively lower rates of return than did some of our light consumer industries, such as cotton textiles. Secondly, in order to be economic, these industries must be set up on a very sizeable scale. Owing to the shortage of resources, the small size of the domestic market and the uncertainty of exports, it may not be possible to set up more than one unit in each of these industries, and the view is expressed that monopoly industries should, as far as possible, be in the public sector. Further, most of these industries are basic for the economy as a whole, in that they will supply the equipment and raw materials for many of the other industries. It is argued that on strategic grounds also it may not be desirable to allow a single entrepreneur to acquire such an influence over a large segment of the economy.

Again, one of the major aims of planning in Pakistan is the elimination of inter-wing income disparities. There is a constitutional directive that this be done in as short a time as possible. While parity can be achieved only over the period of the Perspective Plan, a start in that direction has to be made immediately. To make this possible, investment by the public sector in East Pakistan is being stepped up considerably.

The Third Plan has earmarked over 50 per cent of the development expenditure for East Pakistan. Much of this investment will have to go towards building up the infra-structure, a type of investment in which the share of the public sector will naturally be the preponderant one. In industrial investment too, the role of private enterprise in East Pakistan has not been as vigorous as in West Pakistan, for as explained earlier, the flow of resources into a relatively less developed area is deterred both by the paucity of effective demand and the absence of external economics. Moreover, East Pakistan lacks a substantial capitalist class of its own, as well as a well-developed framework of institutional facilities. A large measure of the industrial development of East Pakistan may, therefore, have to emanate from the public sector.

Finally, although the economy has been moving forward at a rapid pace, certain sectors have lagged behind. These constitute the social sector which is, by and large, developed through public investment.

The policy of providing the maximum possible encouragement to the private sector coupled with the response shown by it, should not be construed to imply that a time will come when the public sector will be relegated to the second position. The public sector will continue to occupy a pivotal position; only the nature of its contribution, both quantatively and qualitatively will undergo a change. At present it is primarily concentrating on basic infra-structural facilities and promotional activities. In the years to come the emphasis will be shifted towards guiding and laying down goals and objectives and on developing the social sector. This is borne by the experience of even the most advanced free enterprise economies like those of the USA, where with the passage of time the public sector has asumed new dimensions and acquired a new look spreading over "new frontiers" towards the "great society".

ROLE OF AIR TRANSPORTATION IN REGIONAL CO-OPERATION FOR DEVELOPMENT

By

MR. M. M. SALIM,

Commercial Manager,

Pakistan International Airlines Corporation.

Economic Co-operation and regional economic grouping for accelerating economic growth has been an outstanding feature of international co-operation for the past two decades. For Turkey, Iran and Pakistan, while the spirit of such co-operation had existed for long, because of the cultural and historical ties of friendships, the Istanbul Agreement has bound them together and ushered the three countries into an era of sustained economic growth and friendship. Realising the vital contribution which air transport can make towards the economic development of the three countries and for facilitating economic co-operation amongst them, the Heads of the States decided to co-operate in the field of air transportation with a view to:

(a) Improve the transport services within the region so that quick and frequent movement of passengers and freight is facilitated within the region.

(b) Establish a strong and competitive international airline.

(c) Foster co-operation among the Civil and Commercial Aviation Authorities of the three countries and develop common policies in international forums.

Air Transport has now become an essential feature of political, administrative and business life of modern world and has been described as a *sine qua non* for the economic and social well being of any region.

Within the three countries, particularly in Iran and Pakistan, the conditions of terrain and climate have served an obstacle to rapid spread of surface transport in many areas. Because of its inherent characteristics, vis-a-vis surface transport, such low initial capital investment, complete flexibility, rapid introduction of services and relative independence of topographical and climatological conditions, air transport can play a vital role in bringing about fundamental changes in the economy of an area which otherwise will have to wait for a long time for being linked with the more advanced parts of the country. A gradual spread of domestic airlines operation will ensure that the isolated area also benefit from the economic prosperity of the country.

The RCD region has a population of over 150 million inhabitants. The Industry and business centres of the three countries lie far apart from each other necessitating a quick means of transportation. The surface link, when completed, will undoubtedly facilitate the inland tourist travel and transportation of merchandise, which now moves through the circuitous sea routes, but for business travel and tourist traffic air transport will be the main media of transportation.

Promotion of Air Services

Air Travel between the three countries has already shown a big increase during the last one year and with increased economic co-operation, promotion of tourism and cultural exchanges, envisaged under the agreement, a big spurt in air travel is expected. To cater to this increased traffic air services operated by the national airlines and connecting the main cities of the three countries will have to be increased. At present Karachi and Tehran are linked by direct Jet Services by PIA and Iranair and the travelling time is shorter than travelling from Karachi to Rawalpindi. It is planned to link Istanbul with Tehran and Karachi by the National Airlines services as soon as possible and travelling time between Tehran and Istanbul would be only 2.70 hours and between Karachi and Istanbul just over 5 hours. Similarly the economic feasibility of introducing air services between Zahedan and Quetta and Erzerum and Tabriz is also being looked into. As all these cities will also be on the domestic network of National Airlines an alternate and more direct link will also be available for travel between the other important cities of the three countries.

Promotion of Air Travel

To promote air travel within the region a programme of selling package tours of the three countries, which will also include the cost of air travel, will be launched. Because of the common religion there are a number of places of religious interest in the three countries particularly in Iran. Such package tours are likely to be a big factor for the promotion of travel to religious places. The introduction of tourist identity card and relaxation of other travelling formalities for the nationals of the three countries coupled with improved facilities for travel are likely to promote intra-regional traffic considerably.

International Operation

The RCD countries have been recording over 10 per cent growth rate in international passenger traffic. The region as a whole occupies a strategic position on the international air route network and lies ont he threshold of the two important areas of international tourist attraction—the South East Asia and the Continent of Europe. International tourism has made a substantial contribution towards the economic development of many countries and there is no reason why the RCD countries, which have been the cradle of the oldest civilization and culture in the world can benefit from this fast growing trade. Besides making a positive contribution to the national economies of the three countries, the international tourist traffic and the amount of air traffic available within these countries, can help in extension of international operation of the National Airlines of the region. Taken together the international air traffic of three countries is so large that a combined international airline of the three countries can operate enough long-haul services to compete with foreign airlines now serving the region. In the absence of long-haul national airlines operation the foreign airlines are doing good business in the region and their operation is resulting in considerable amount of loss of foreign exchange which otherwise can be used for the national development schemes. The earnings from the international routes, where the profits are high, can be used for meeting the foreign exchange requirements of the domestic operation as well as subsidising cheap domestic operation by keeping the domestic air-fare low so as to promote air travel.

Moreover, an efficient air transport system also plays an important role in meeting the defence needs of a country. No wonder many countries subsidise their airlines so that these are available in case of emergency.

In a nutshell, because of the distance involved and in the absence of an efficient direct surface link, air transport has to play a vital role in facilitating economic, social and political integration of the Region in a single block. But for air travel it would not have been possible to achieve the tremendous progress which has taken place during this short span of one year in transforming the concept of RCD into a living reality.

ROADS AND RAILWAYS THROUGH REGIONAL CO-OPERATION FOR DEVELOPMENT

Step to be taken towards the Improvement of Communications

By

ENGINEER MOJTABA SOLTANI
Supervisor of Projects, Ministry of Roads
Government of Iran

"Efficient and effective means of communication and transport are essential for the promotion of regional economic and cultural collaboration"

Summit Conference of Istanbul
21 July, 1964

After World War II there was considerable and rapid increase in traffic all over the world where a surface communications existed, and increase of demand where sufficient means of communications were lacking.

Great investments of funds, materials and labour are now being made in communications projects in developing countries and even in the progressive countries of Western Europe and the American continent, in spite of extensive networks of paved roads already available, very substantial amounts are being spent each year for the development, reconstruction and improvement of roads.

Duties Assumed by the Roads and Railways Committee

The heads of the countries of the Region, being well aware of the important role that surface communications, both national and international, can play in the Region's economic and social development, decided that a Committee should be established to study and report on the following:

1. The measures which should be taken to complete expeditiously the rail and road links among the countries of the Region;
2. Whether any additional rail and road links are considered necessary.

With these main points in view, the Committee for Roads and Railways consisting of Experts of the three countries met on 29 August, 1964, in Tehran, and again on 2 September, 1964 in Karachi, and after reviewing the position of land communications in the three countries, presented to the Planning Council a report of its wiews and recommendations which are summarized as follows:

(A) ROADS

A study of the condition of road communications revealed that not only the specifications of existing roads varied considerably from one country to another, but also that various portions of a road in one country differ substantially from other portions of the same road. In other words one section may be a first class two-lane paved road while other sections of the same road are lacking in adequate pavement or are only passable in dry weather. It was obvious that such roads could not be considered as satisfactory by the heads of the countries.

However, the findings of the Committee were on the whole quite satisfactory. The data collected showed that in spite of low standards and unsatisfactory condition of some sections of the road, there is considerable traffic between the countries, and that the number of tourists crossing the borders of the countries was constantly increasing.

The Committee fully realizing that it would not be possible for the regional countries to develop immediately the entire routes linking the three countries to the full and maximum standards due to the high costs involved and the limited nature of available sources, technical and financial, recommended that at least the reconstruction and improvement of one route linking the existing road systems and connecting the capitals of three countries should be made the immediate object. Further, the Committee decided that it would be essential to construct the highway to uniform standards and specifications. It recommended in particular that the countries of the region include in their immediate national programmes the improvement of the highway to the minimum standards.

These recommendations were approved and at present various sections of the highway linking the cities of Ankara, Tabriz, Tehran, Isfahan, Kerman, Quetta and Karachi are included as first priority roads in the construction programmes of the countries concerned.

Present Condition of the Regional Highway

The total length of the Highway, from Ankara to Karachi, is about 5400 kms. The breakdown between the countries of the Region follows:

Within Turkey	1430	kms.
Within Iran	2670	kms.
Within Pakistan	1300	kms.

When the Roads and Railways Committee started work last year, only 1350 kms or 25% of the road was paved or constructed to desirable standards. It was necessary to set a completion date of the road to the minimum standards taking into account and consideration technical problems, time factor and climatic conditions. The year 1968 was set for the completion date of the highway. This date also received the approval of the Committee at ministerial level and the following actions will be taken by the Government concerned:

In Turkey:

275 kms or 48 per cent of the Highway linking Samsun, Trebizond, Erzerum and Iranian border, is already paved, and remaining 52 per cent is under construction. It is noted that, when the direct alignment of this road from Ankara to Sivas and Erzunjan is completed, the route will be shortened in the future by about 175 kms.

In Iran:

760 kms. or 28 per cent of the Iranian portion of the Highway, from the Turkish border to Tabriz-Tehran-Isfahan and Kerman is already paved. 1200 kms or 48 per cent is under construction and scheduled to be completed by 1967. The remaining section has been planned and included in the future road-building programme.

In Pakistan:

350 kms or 27 per cent of the road from the Iranian border to Quetta Lakpass and Karachi is already paved. The survey work of the remaining portion has been carried out and the construction is programmed for 1968.

Circulation Facilities:

The Committee further noted that smooth and safe movement of traffic over the regional highway network requires not only the construction of standard, all-weather roads, but also involves the provision of a uniform, comprehensive system of signs and traffic regulations. The committee agrees that there should be uniform regulations relating to motor vehicles passing the border such as registration of motor vehicles, technical conditions concerning the equipment of vehicles (brakes, lights etc.) and control of axle loads and dimensions of vehicles. It would also be necessary to facilitate the customs formalities at the frontiers.

As the above matters require detailed studies, it was recommended by the committee and approved by the council that a Group of Experts should meet, review the existing regulations and reach an agreement applicable in all the countries. Bearing in mind the uniformity which is an essential step towards the improvement of international traffic on the Regional Highway, the route of friendship and brotherhood, and closer co-operation between the countries of the Region.

(B) RAILWAYS

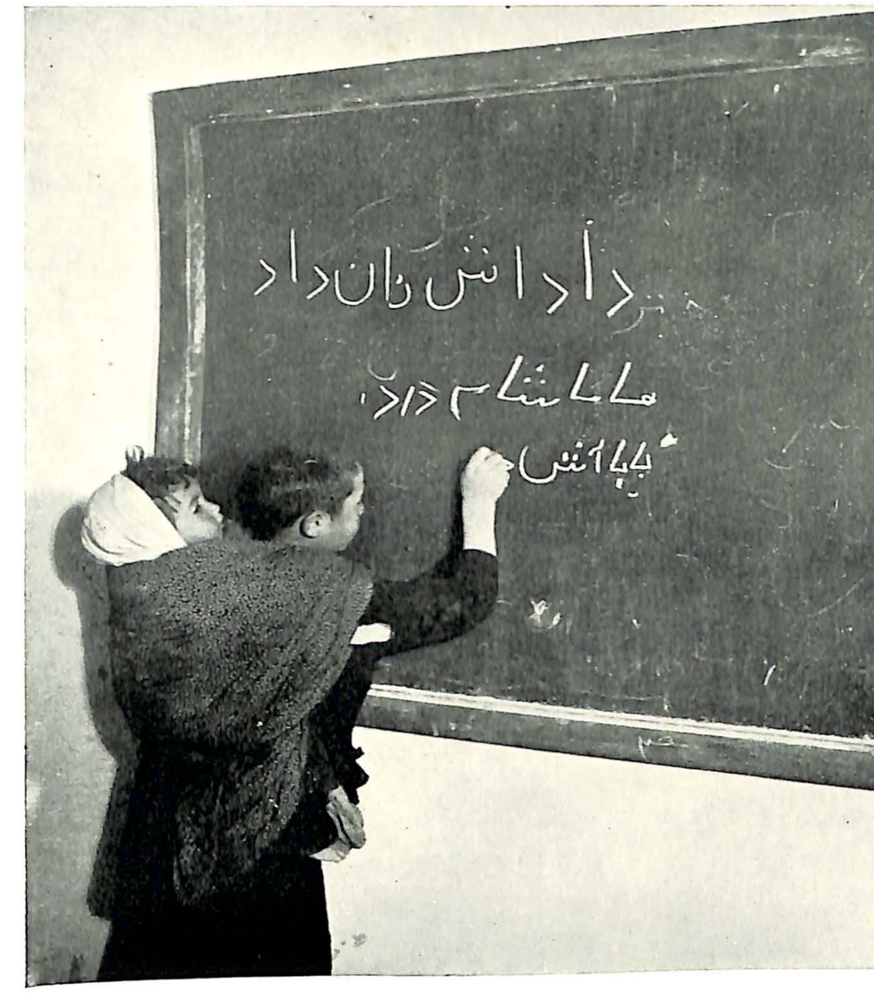
Pursuing its objectives, the committee also studied the question of railways and the economic and technical feasibility of linking the railway systems of the three countries of the Region.

Iran-Pakistan

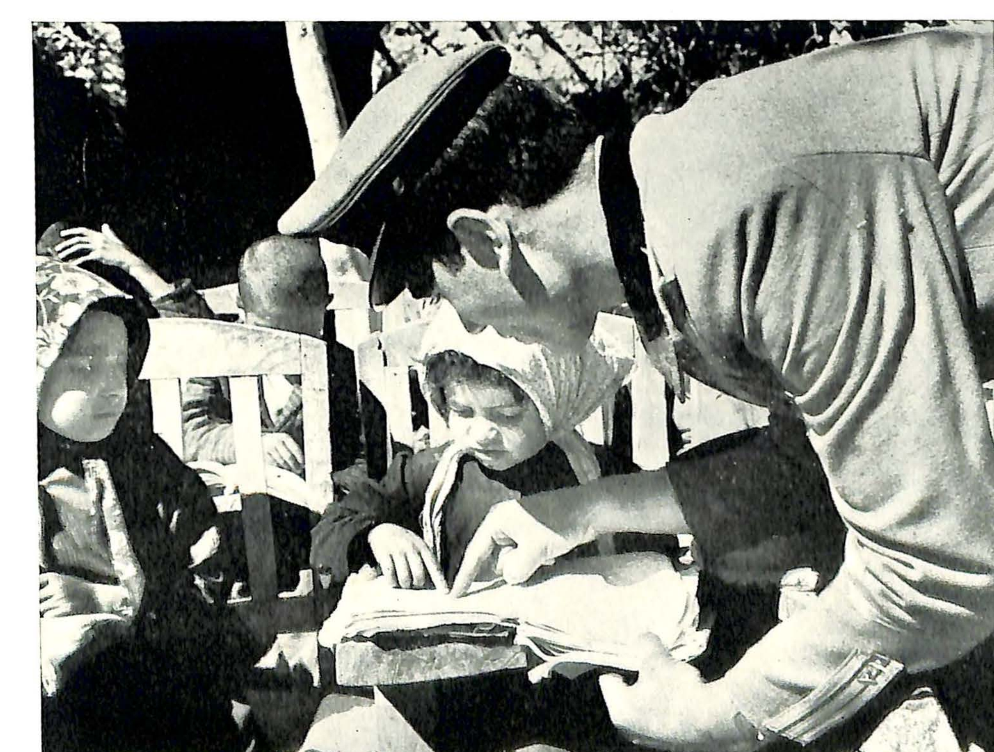
To link the Iranian railway network to the Pakistan network, it will be necessary to construct a railway line of some 900 kms in length in Eastern Iran, a desert area, from Yazd to Zahedan (Pakistan railway terminal situated in the territory of Iran). As the implementation of this project necessitates a series of preliminary surveys from the technical and social viewpoints, it has been requested that such studies be made as soon as possible by the Government of Iran making use, if needs be, of the assistance offered by the Government of Pakistan.

Iran-Turkey Railway Link

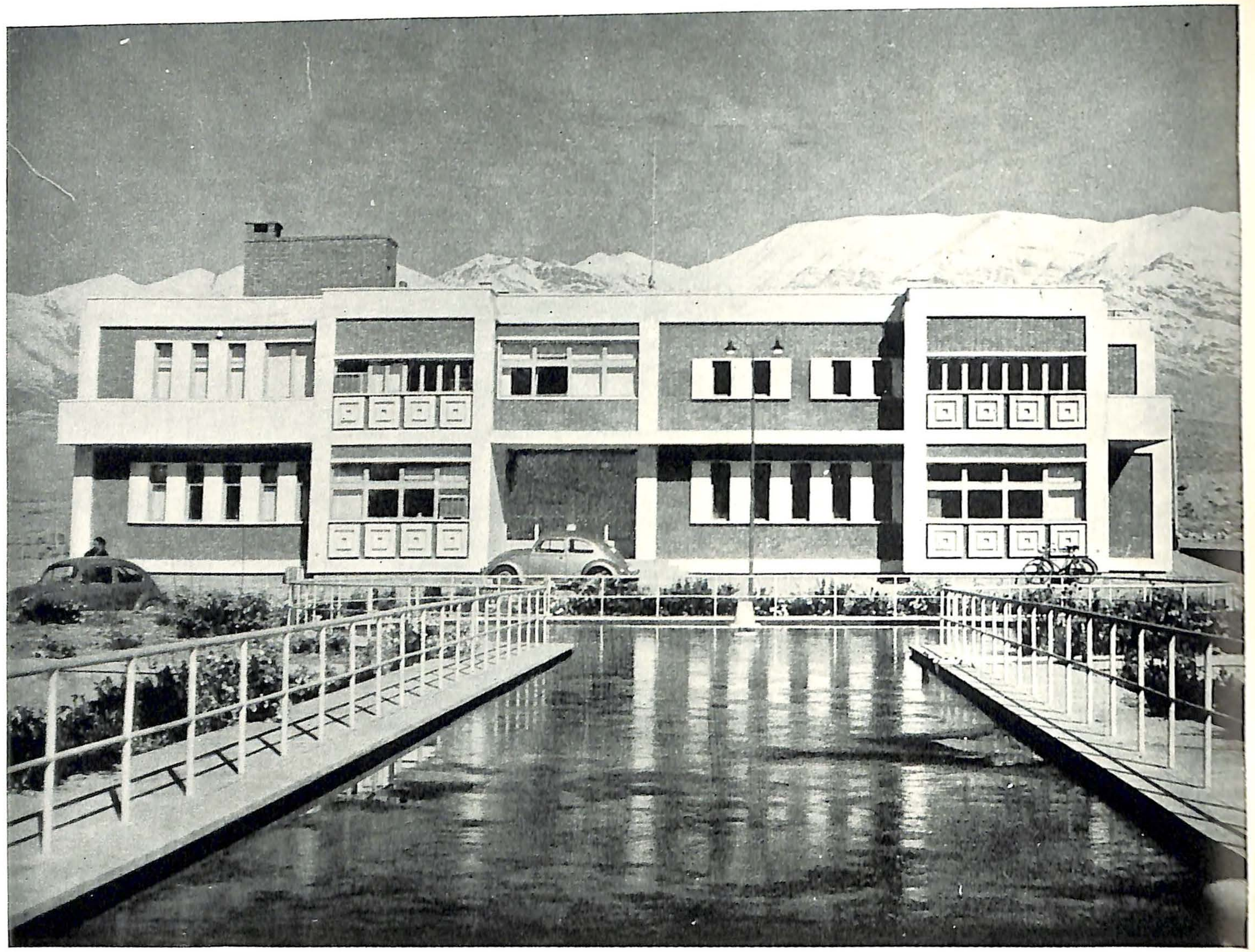
The construction of the Iran-Turkey Railway Link is already underway. A section of this link in the territory of Turkey (Mus-Tatvan) was opened last year. The remaining part of the Turkish portion, from Tatvan to the Iranian border with a length of 200 kms, across Van Lake by a ferry and, includes two ferry harbours, two wagon ferries and a railroad between Van and the Iranian border. The



A village boy, learning to read and write under a literacy corp.



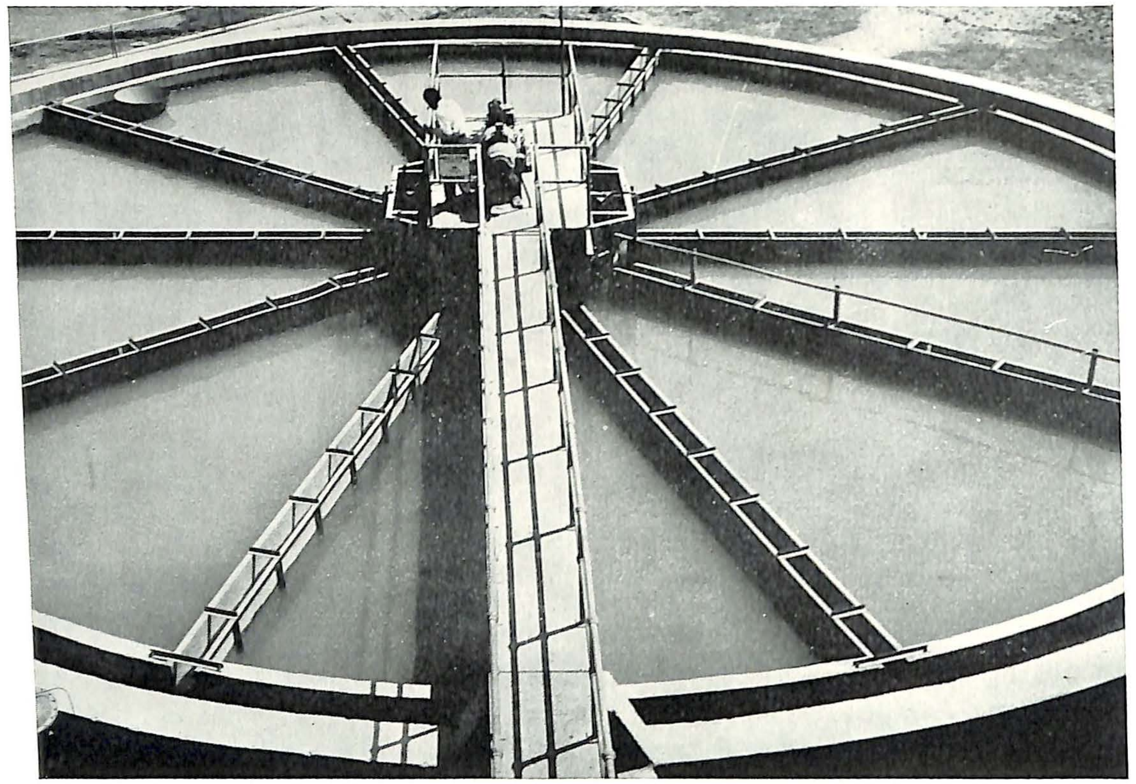
Literacy corp teaching the village children.



Geophysical Institute—University of Tehran.

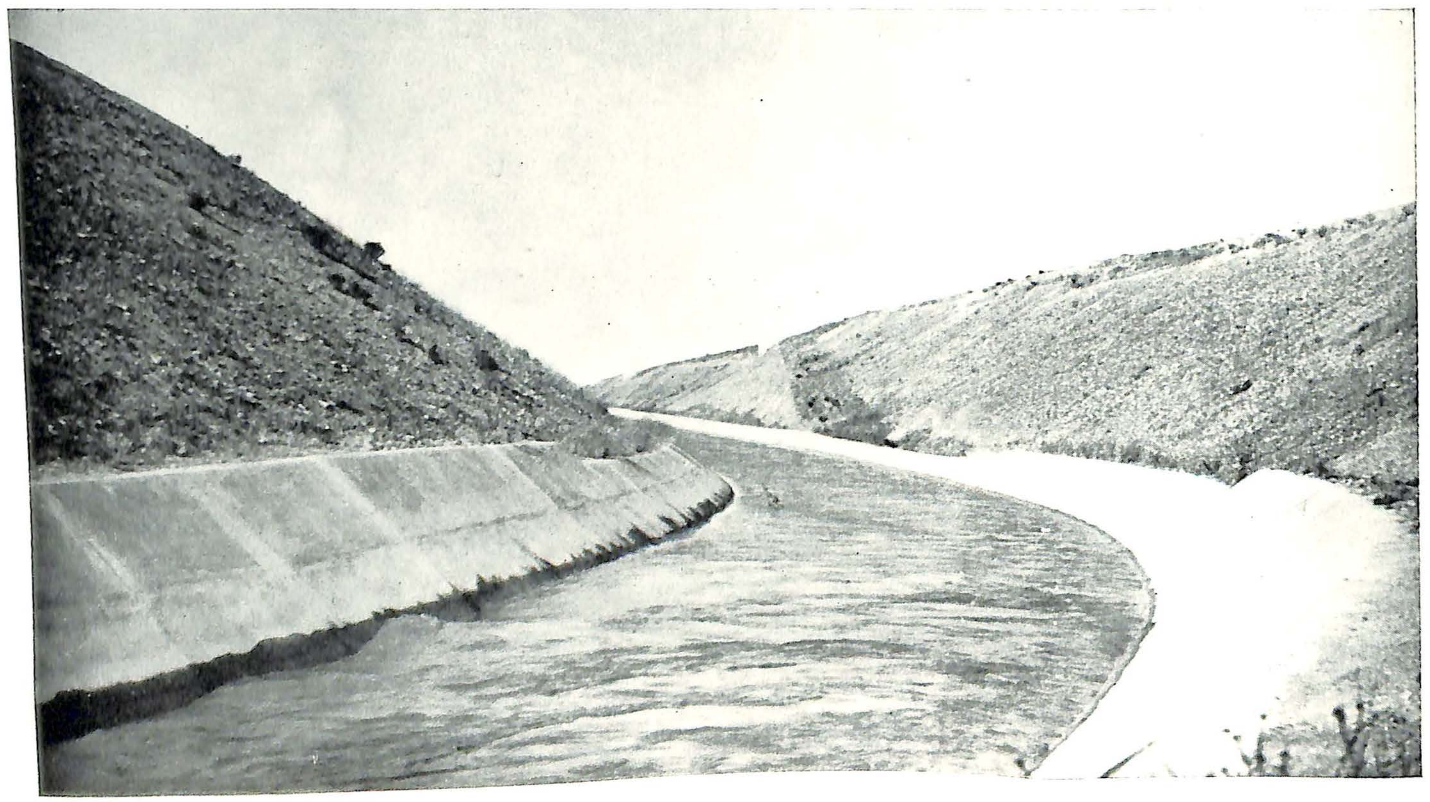
Literacy Corp helping villagers in communal life.

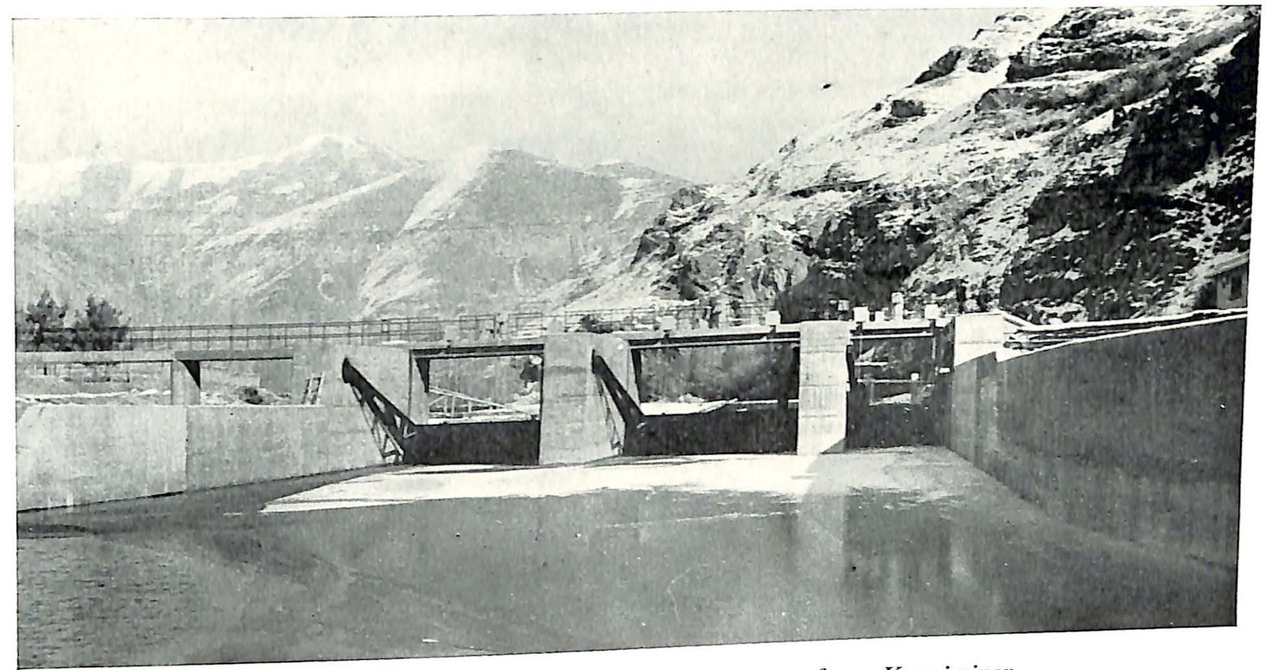




One of the many water supply systems built for the towns.

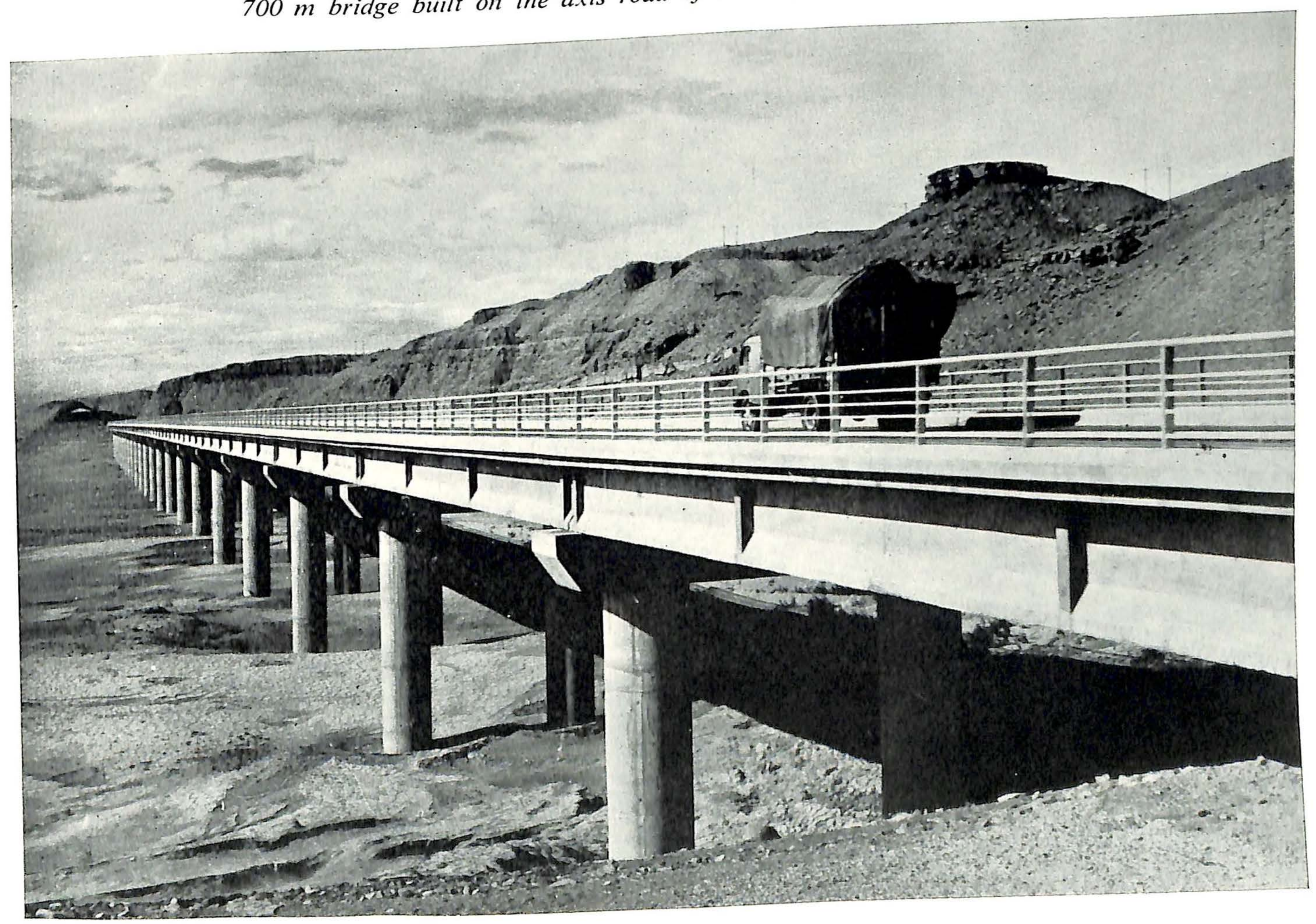
One of the Dashti Moghan irrigation sub-canals. The place is located on the banks of Aras river on the border of U.S.S.R.

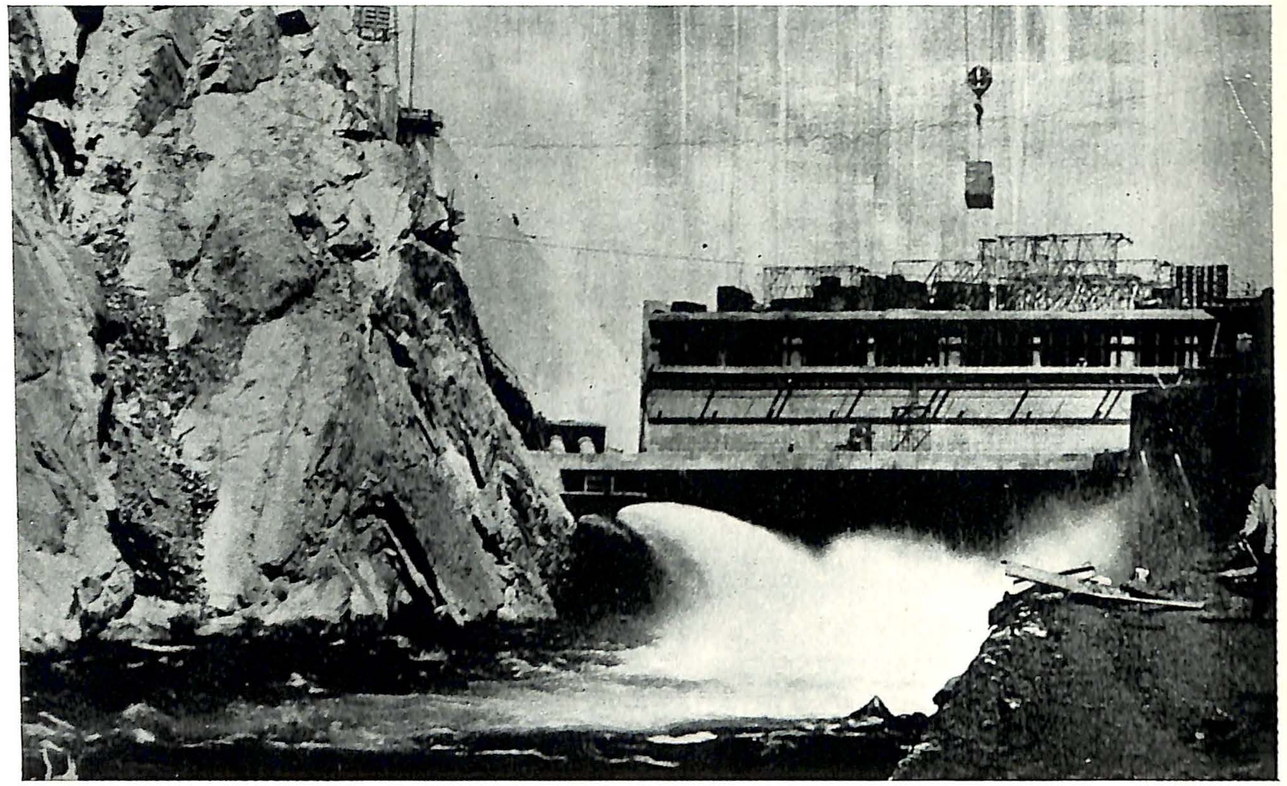




Canals taking water for the Tehran system from Karaj river.

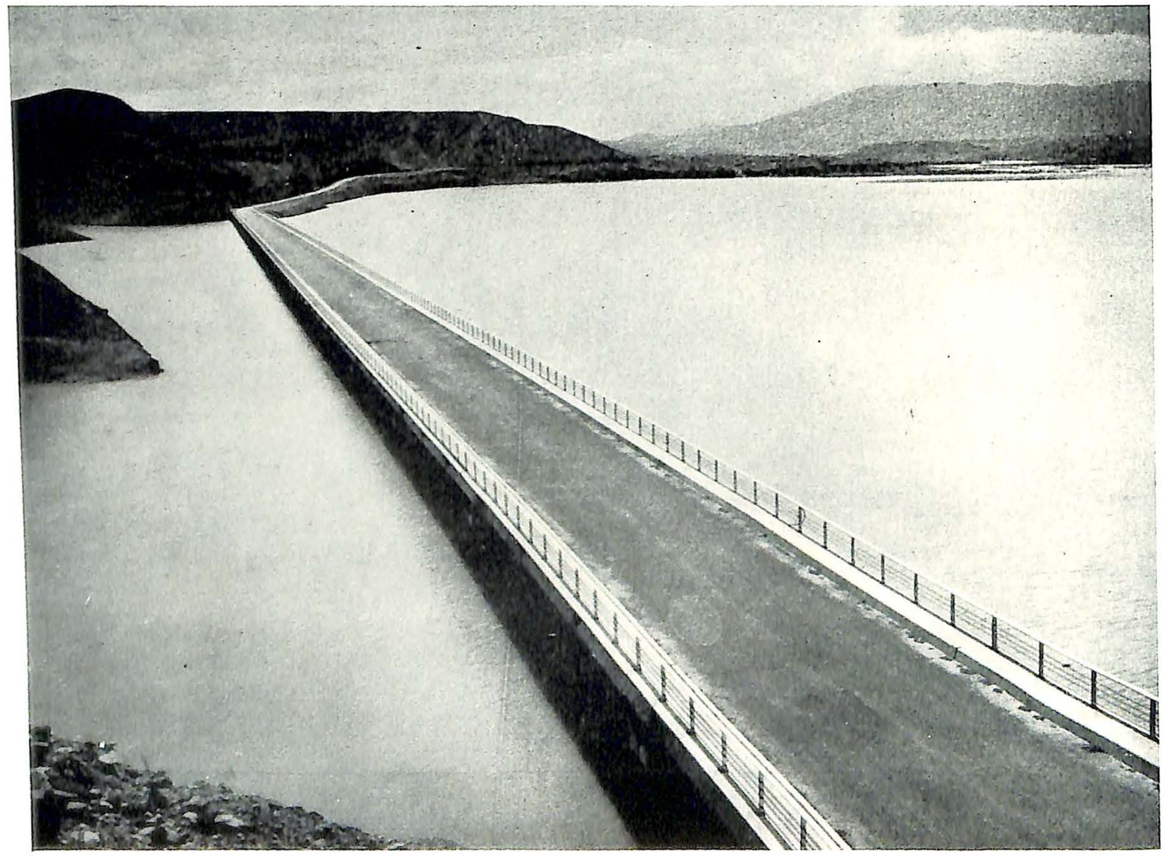
700 m bridge built on the axis road of Khramshar-Pahlavi near Manzil.

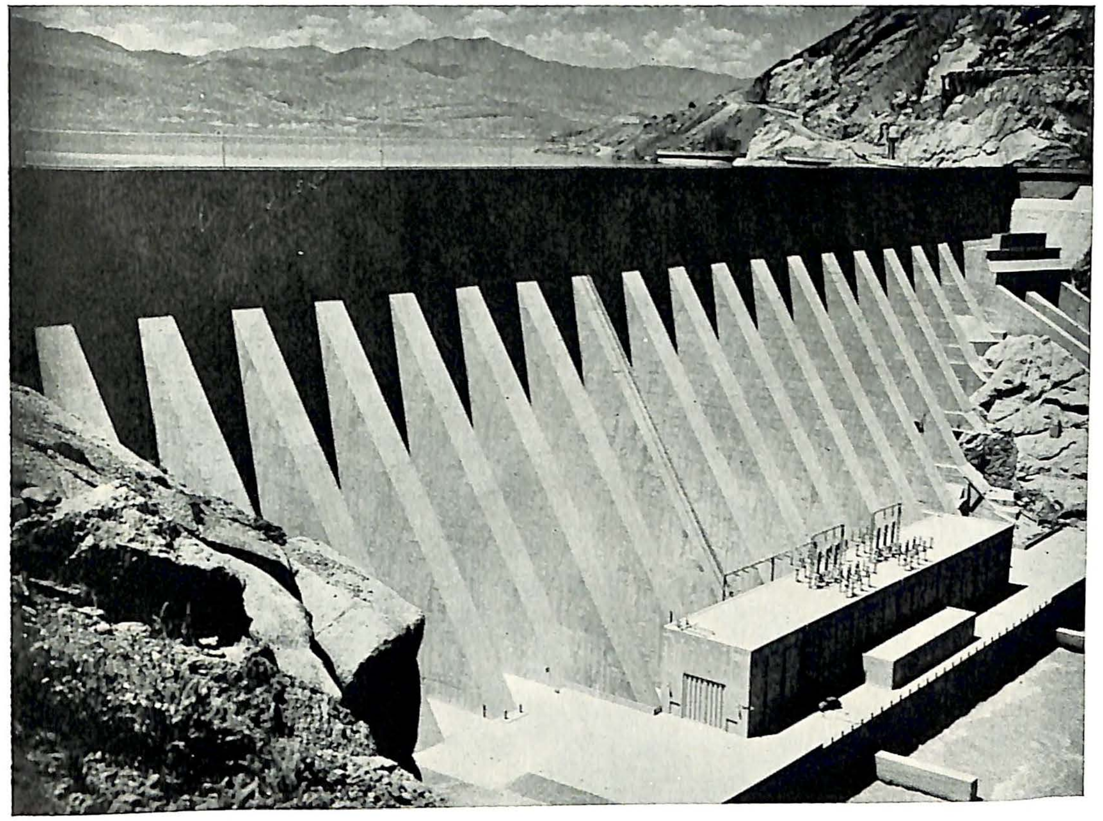




Karaj Dam — Power House.

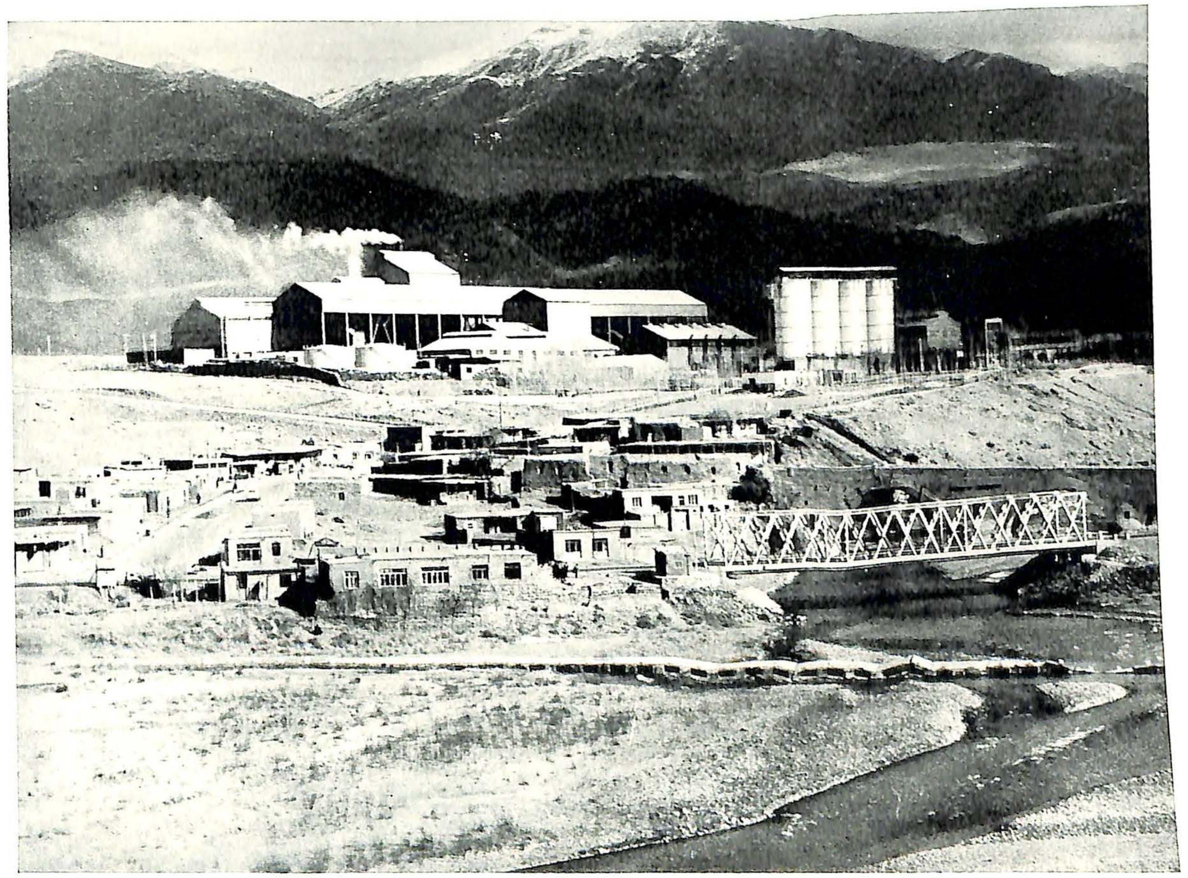
Bala Bala bridge—Manjil, on the Kazmin-Rasht road.

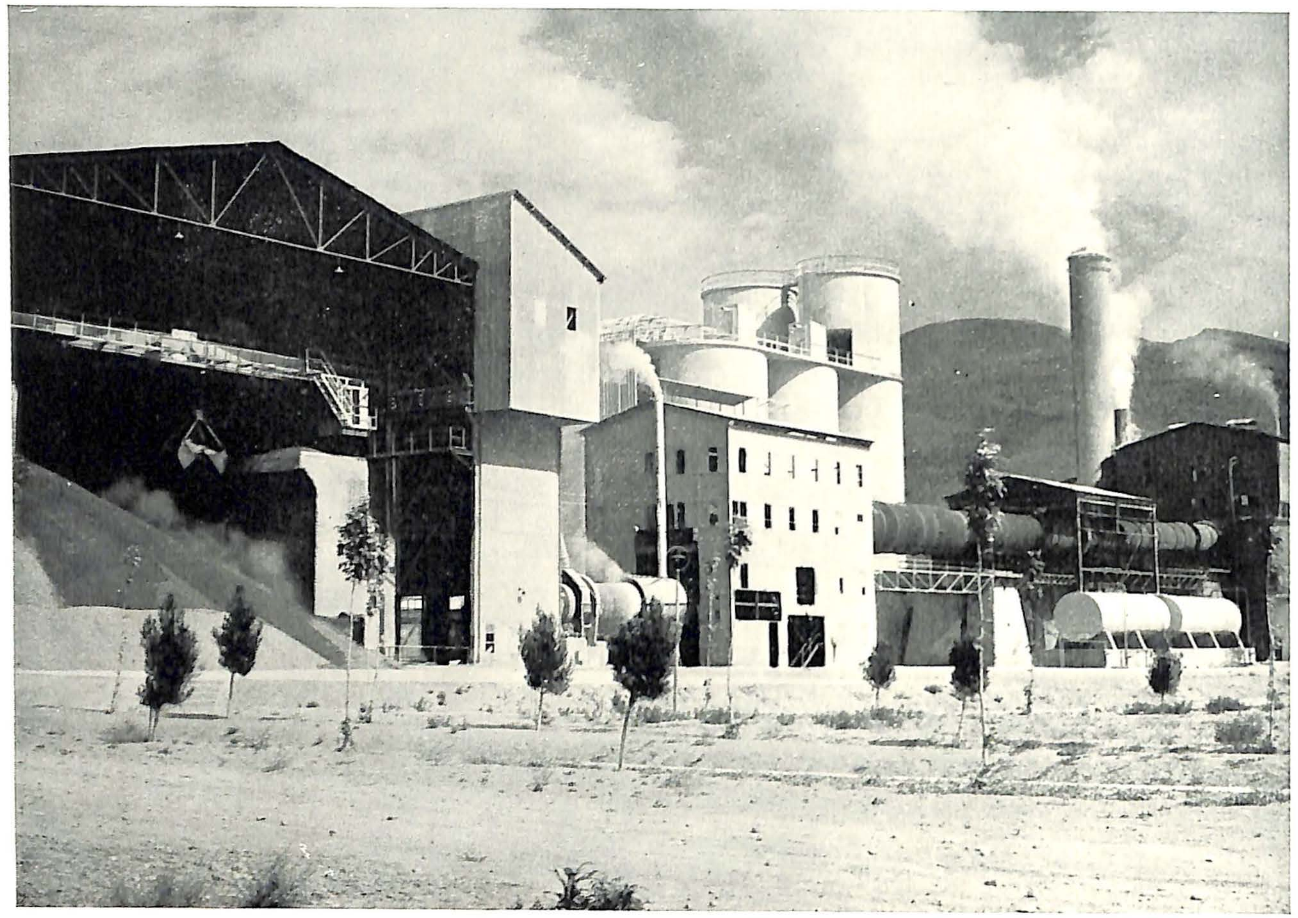




Sefid Rood Dam—Manjil, Guilan.

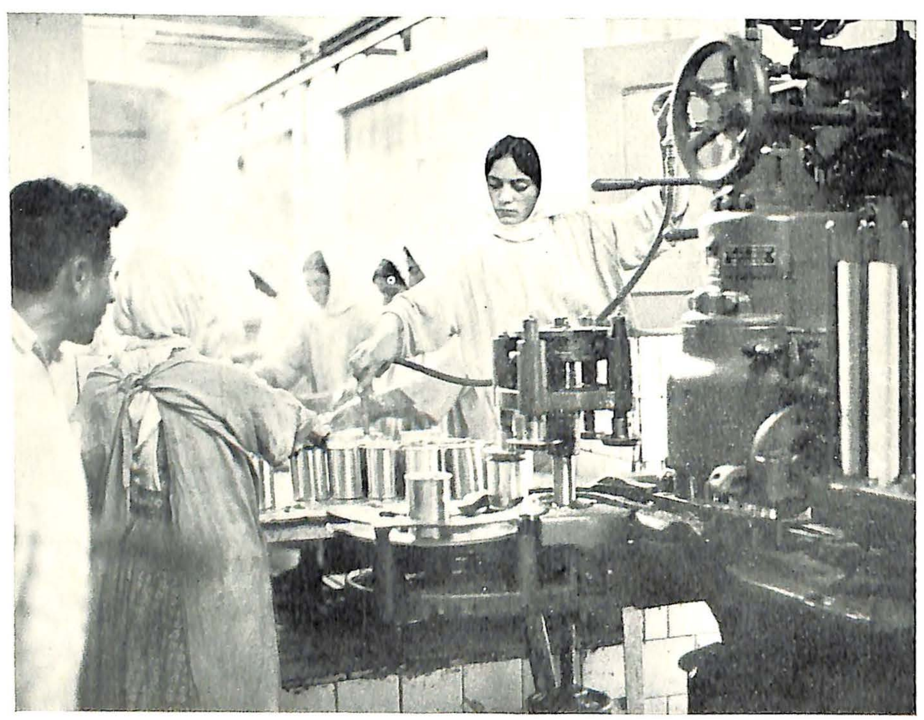
Loshan Cement Plant with the capacity of 300 tons per day. The plant supplied all the cement needed in building Sefid Rood Dam.

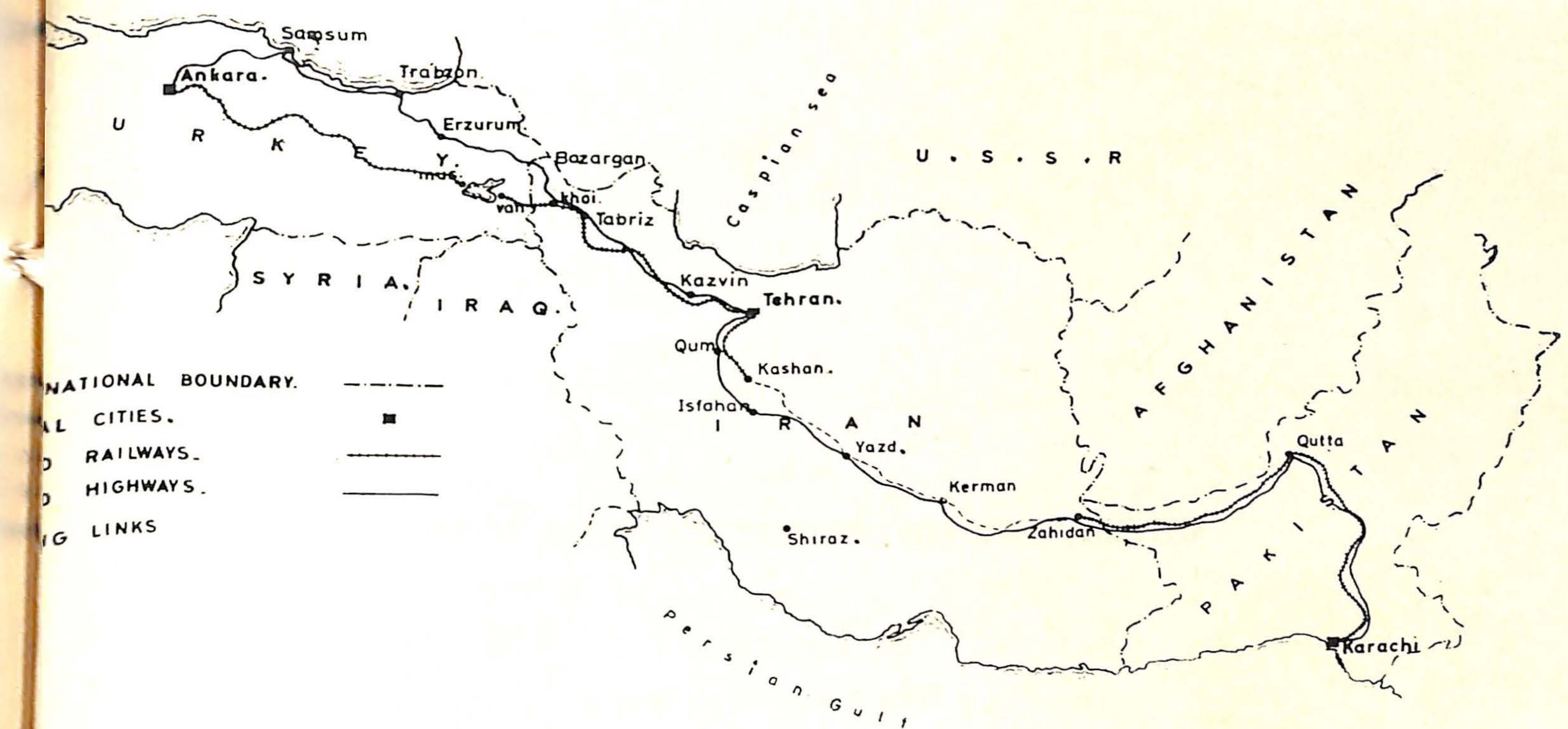




Fars Cement plant.

Maragheh Canning Factory.





components of the boats will be constructed in Istanbul in transportable fashion, and shipped by train for assembling on site. The construction of the railway section from Van to the Iranian border is scheduled to be completed by 1968.

The Iranian portion of the railway link includes 140 kms of railway through mountainous country which will span the Qotour Valley by a large bridge with a length of 410 meters and a height of 110 meters. A total of 6 tunnels is to be constructed on this line, with lengths ranging from 85 m. to 400 m. Heavy road-building equipment is already being used at Qotour Valley for rock cutting and levelling operations, and the officials in charge have promised to make the railway link ready for operation also in 1968.

Railway Facilities

Regarding the operation of the railway link also, many points have been studied to facilitate circulation between the countries, such as movement of trains and locomotives from one country to another, exchange of trains at the borders, customs formalities, sale of international tickets for Europe. These points and details will be finalized between the countries in a spirit of co-operation created by the RCD so that, upon completion of the railway link, unimpeded passage of international trains will be fully assured.

Thus the year 1968, a date which is rapidly approaching, will be marking the successful completion of communications system between the three countries of the Region.

DEVELOPMENTS IN THE FIELD OF TOURISM

By

IHSAN ATAKENT

Director General of Tourism

Ministry of Tourism and Information

Government of Turkey

Tourism is one of the more important aspects of the extensive and close economic and cultural co-operation among Iran, Pakistan and Turkey and the RCD activities in this field so far been highly successful due to diverse significant decisions and their rapid implementation.

At the Summit meeting held in Istanbul, the Decisions and Observations of the three Prime Ministers and the Joint Communique issued by the Heads of States stressed the various advantages of co-operation and collaboration for promoting tourism within and into the Region. Keeping these advantages and possibilities in mind, the three countries had envisaged to establish the basis for a sound co-operation that would include all matters relating to tourism, beginning from measures for the abolition of visas among them.

After these preliminary studies, an Agreement on Tourism was signed by the Ministers of Foreign Affairs of Iran, Pakistan and Turkey at Tehran on the 18th of October, 1964, and the abolition of visas has been realised through separate agreements.

The implementation of the Agreement on Tourism was considered by the Committee on Tourism which held its first meeting at Ankara on the 10th of November, 1964 and recommended specific and concrete measures for the realisation of the objectives laid down in the Agreement.

The substitution of Passports with Tourist Cards for the simplification of travel within the RCD countries, relaxation of foreign exchange and customs formalities, close co-operation in the touristic propoganda of the region, training of hotel personnel and tourist promotion staff are some of the measures, aimed at furthering the economic and cultural collaboration among the regional countries by enabling direct contact of the people of the RCD region and thus paving the way for the attainment of a btternowledge of th e three countries.

JOINT PURPOSE ENTERPRISES

By

HALUK CEYHAN,

Adviser to the State Planning Organisation of Turkey.

In the Summit Meeting held in Istanbul, when the Heads of States of Iran, Pakistan and Turkey envisaged the establishment of a Regional Co-operation for Development, it was also decided that specific ventures, necessary for the development of the three countries would also be considered and due emphasis should be given to the efforts in this direction.

The Summit Conference observed, that "joint purpose projects will feed the requirements of the three countries. There are several projects for which none of these countries can provide a sufficient domestic market, yet they can be viable projects if the total requirements of the three countries are taken into consideration".

In view of these considerations, the Committee on Joint Purpose Enterprises was set up in accordance with the decisions taken during the Ministerial Council Meeting, held in Tehran.

The Committee on Joint Purpose Enterprises, the main concern of which is drawing up of a programme of joint investments to be made for the common benefit of the three countries, is entitled to select sound projects, from the point of view of marketing, economic and technical feasibility.

To this end, Iran, Pakistan and Turkey have completed their preliminary studies on the items designated as possible joint purpose enterprises and furnished the required data to the Committee.

On the basis of these informations, during the third meeting of the Committee, held in Tehran, on the 22nd of June 1965, the items designated by the Ministerial Council as possible joint purpose enterprises have been allocated among the regional countries for feasibility studies:

Statement by the Convener of the Committee on Joint Purpose Enterprises

These studies which are undertaken by the member countries, will no doubt illustrate the wide possibilities of co-operation and the areas of joint activities among the three countries in furthering their economic and social development through this regional arrangement, namely RCD.

APPENDICES

JOINT STATEMENT BY THE HEADS OF STATES OF IRAN, PAKISTAN AND TURKEY

The Heads of States of Iran, Pakistan and Turkey, His Imperial Majesty Mohammad Reza Shah Pahlavi, Shahinshah of Iran, His Excellency Field Marshal Mohammad Ayub Khan, President of Pakistan and His Excellency Cemal Gursel, President of the Republic of Turkey met on 20th and 21st of July, 1964, in Istanbul.

The Heads of States reaffirmed their belief that regional co-operation is an essential factor in accelerating the pace of national development and in contributing to peace and stability.

They expressed their conviction that the strong cultural and historical ties which bind the peoples of their countries and have already provided them with a solid basis for collaboration should be strengthened further and developed for the common benefit of the peoples of the entire region.

To this end, the Heads of States resolved that appropriate ways and means should be adopted to enlarge and develop further co-operation in their existing relations in all fields.

They unanimously expressed the belief that this new collaboration should be carried out in a spirit of regional co-operation notwithstanding their activities as members of other organizations of a regional character.

The three countries would be pleased to consider the participation of other countries of the region in this co-operation.

Having reviewed the practical steps taken by the Foreign Ministers in the field of co-operation among the three countries, during their meeting on 3rd and 4th of July, 1964, in Ankara, the Heads of States expressed their full appreciation for the progress already achieved in this respect. They endorsed the recommendations made by the Ministerial Pre-Summit meeting of the three countries held in Ankara on July 18 and 19, 1964 on subjects of common and regional interest.

The Heads of States noted with approval the creation of a Ministerial Council composed of the Foreign Ministers with the participation of other Ministers of their respective governments in order to take and implement appropriate decisions on matters of common interest.

They noted with satisfaction the decision of the three Heads of Governments to establish a Regional Planning Committee composed of the Heads of the three Plan Organizations, dealing with work relating to regional collaboration and harmonization of development plans. To this end, they have agreed to establish Secretarial arrangements to serve the Regional Planning Committee and the Ministerial Council.

They agreed in principle:

1. To a Free or Freer movement of goods through all practical means such as the conclusion of trade agreements.
2. To establish closer collaboration amongst existing Chambers of Commerce and eventually a joint Chamber of Commerce.

3. To the formulation and implementation of joint proposed projects.
4. To reduce the postal rates between the three countries to the level of internal rates.
5. To improve the air transport services within the region and the eventual establishment of a strong and competitive international air line among the three countries.
6. To investigate the possibilities of securing a close co-operation in the field of shipping including the establishment of a joint maritime line or "conference" arrangements.
7. To undertake necessary studies for construction and improvement of rail and road links.
8. To sign at an early date an agreement with a view to promoting tourism.
9. To abolish visa formalities among the three countries for travel purposes.
10. To provide technical assistance to each other in the form of experts and training facilities.

Furthermore, the Heads of States have directed to explore all the possibilities for expanding co-operation in the cultural field among the countries of the region. Cultural relations should be particularly oriented towards creating mass consciousness of the common cultural heritage, disseminating information about the history, civilization and culture of the peoples of the region, *inter-alia* through the establishment of Chairs in Universities, the exchange of students, the grant of scholarships, the establishment of cultural centres and the joint sponsoring of an Institute for initiating studies and research on their common cultural heritage.

The activities planned within the present scheme of collaboration shall be carried out under the name of "Regional Co-operation for Development".

The Heads of States expressed the hope that the spirit of perfect harmony and of regional solidarity which prevailed throughout the deliberations of the Istanbul Conference would ensure the attainment of the objectives formulated at this Conference.

They are confident that the combined efforts of their peoples to this end will open new vistas of hope and opportunity for them and thus contribute to world peace and to the prosperity of the whole region.

COMMUNIQUE OF THE FIRST SESSION OF THE RCD REGIONAL PLANNING COMMITTEE

Held in Teheran, on September 9, 1964.

The first meeting of the Regional Planning Committee of the RCD was held in Teheran from 7th to 9th September 1964, under the chairmanship of His Excellency Eng. Safi Asfia, the Managing Director of the Plan Organization of Iran. Pakistan was represented by His Excellency Mr. Said Hasan, Minister for Planning, Government of Pakistan. Turkey was represented by Prof. Besim Ustunel of the State Planning Organization of Turkey.

The Regional Planning Committee was set up in pursuance of the decisions of the Summit Conference held at Istanbul on 21st July, 1964, to study the development plans and production potentials of the countries of the region with a view, *inter alia*, to making recommendations on joint purpose projects and long-term purchase agreements and to make proposals regarding the harmonisation of the national development plans in the wider interests of accelerated regional development. The Regional Planning Committee is to submit its report to the Ministerial Council which is scheduled to meet in Teheran in the third week of October.

The Regional Planning Committee was also charged with the responsibility of considering the recommendations of the Working Groups set up to explore various avenues of collaboration among the three countries. The following nine Working Groups which met at Teheran from 29th August to 3rd September, 1964, submitted the results of their deliberations to the Regional Planning Committee:

"Air Transportation, Shipping, Roads and Railways, Post, Telegraph and Telecommunications, Banking and Insurance, Petroleum, Trade, Tourism, & Cultural Co-operation."

The Regional Planning Committee has decided to reconstitute all the Working Groups into Permanent Committees, and is recommending to the Ministerial Council that the Regional Planning Committee be renamed the Regional Planning Council. The Regional Planning Committee is also recommending the setting up of two new committees one for joint purpose ventures and one for technical co-operation.

The leaders of the three delegations reiterated their firm belief in the ideals and objectives of the RCD and agreed that there was vast scope for collaboration in various fields.

In the field of *air transportation* the Regional Planning Committee has come to the conclusion that there is enough traffic to justify the formation and operation of a joint international airline and has asked the Committee concerned to study in detail the measures required to establish strong and competitive international airline after considering the legal, economic, administrative and financial implications. The Committee has also decided to set up two sub-committees, one to study the ways and means for the improvement of transport services within the region and the other to report on measures that can be taken to foster closer collaboration among the civil aviation authorities of the three countries and to develop common policies in international forums.

In the field of Shipping the Regional Planning Committee has recommended the establishment of Conference arrangements as early as possible among the regional countries for pooling of traffic and ships on specified and agreed routes, as a first step towards the establishment of a joint maritime line. The Committee has also agreed upon a number of measures of cooperation in the field of training of maritime personnel and for increasing contacts between the sea faring communities of the three countries. The Regional Planning Committee asked the Committee on Joint Ventures to consider the possibility of a joint venture on ship-building, which should be linked with the proposed joint shipping line.

In the field of *roads and railways* the Regional Planning Committee recommended that the remaining work on the Karachi-Kalat-Quetta road and the construction of Lak Post (Quetta) Iranian border (Mirjawa road) should be undertaken by the Government of Pakistan and completed by 1968. The remaining work on Kerman-Nain-Isfahan road and Takistan-Tabriz-Bazargan road should be completed by the Government of Iran by 1968. The Government of Iran should also undertake detailed survey and engineering of Mirjawa-Zahidan-Kerman section for the purpose of reconstructing of the road according to the minimum standards of all weather road by the same year.

Improvement including the laying of black top, on the sections Dagubayazit-Agri-Horasan and Kandille-Erzerum-Yerkoy should be taken in hand by the Government of Turkey and completed by 1968. The Regional Planning Committee also decided to recommend that the survey and investigation work on the Yazd-Zahidan section should be undertaken by the Government of Iran. In this connection the Government of Iran may like to consider the offer of the Government of Pakistan for assistance in carrying out these surveys. The R.P.C. approved the establishment of two expert groups representing the three countries, one consisting of highway engineers and the other consisting of railway engineers to consider technical and operational problems during and after the completion of the road and rail links among the three countries. The Regional Planning Committee also directed the Committee on Roads and Railways to undertake a study for determining the possibility of utilising the manufacturing capacity for railway coaches and wagons within the region to meet the overall requirements of the three countries.

The Regional Planning Committee endorsed for adoption recommendations of the Working Group on *Post, Telegraph and Telecommunications* regarding the reduction of postal rates and rates for telephones and telegrams with effect from November, 1964. The R.P.C. has also recommended that Pakistan and Turkey should route their surface letters and parcels via Iran. The R.P.C. has also directed to set up a sub-committee of technical experts of the three countries to formulate schemes for establishing PTT offices in border areas and study technical problems with regard to the introduction of automatic trunk dialling between the regional countries.

In the field of *banking*, the Regional Planning Committee has recommended that one or two banks in each country should study the feasibility and financial viability of undertaking banking operations in the other two countries and that sound proposals emanating from this study shall be given favourable consideration as far as practicable. The Committee also recommended various measures for exchange of information between Central Banks and Bankers Associations for maximum utilisation of training facilities for banking personnel.

In the field of *insurance*, the Regional Planning Committee accepted the need for reducing foreign exchange outflow on insurance and reinsurance services of the region as a whole and has recommended the setting up of three Reinsurance Pools, one in each country. The Committee has also

recommended the setting up of a permanent centre to be established in Pakistan to serve as a focal point for studying measures of regional collaboration in the field of insurance.

The Regional Planning Committee has accepted the recommendations made by the Working Group on *Petroleum* regarding joint ventures in the exploration, production, refining and marketing of petroleum and in the production and marketing of Petro-chemicals.

The Regional Planning Committee recognized the possibilities of considerable expansion of intra-regional *trade* and has recommended that a bilateral trade agreement should be signed between Pakistan and Turkey on the lines of the recent trade agreement between Iran and Turkey. The possibility of concluding a wider agreement on Domicile, Commerce and Transit Trade between the three countries similar to the agreement signed in 1959 between Iran and Pakistan should also be examined. The Regional Planning Committee has approved a list of commodities in which possibilities of increased intra-regional trade existed. The R.P.C. has directed the Committee on Trade to study such measures as grant of regional tariff preferences and the gradual reduction of customs and quota barriers. The Regional Planning Committee has also recommended measures aimed at the establishment of a Joint Chamber of Commerce and frequent exchange of missions composed of businessmen and merchants, the setting up of common showrooms and fuller participation in each country's fairs and exhibitions. The R.P.C. has also asked the Committee on Trade to examine the possibility of evolving a regional transit trade agreement between the member countries and the establishment of frontier markets.

The Regional Planning Committee has recommended a detailed programme for *cultural co-operation* and expressed the hope that the implementation of this programme would lead to increasing realisation of the cultural, historical and social ties that bind the three countries of the region. The programme includes setting up of a Regional Cultural Institute at Teheran, the organization of special colloquiums on cultural heritage, education and social welfare and problems of economic growth, joint exhibitions of photographs, dissemination of information about history, civilization and culture, exchange in the fields of fine arts, organization of regional tournaments, exchange of cultural delegations and dissemination of information on educational techniques, experiments and problems. The Regional Planning Committee has also recommended the setting up of an information agency in the Secretariat of the RCD to co-ordinate the joint programmes through television, press, radio and other publicity media. It also recommended other measures for co-operation in the field of films, publications and broadcasting.

With regard to *tourism*, the Regional Planning Committee has recommended that Iran, Pakistan and Turkey should sign a comprehensive agreement on tourism by the end of October, 1964. The Committee also recommended that Iran and Pakistan, and Iran and Turkey should sign an agreement for the abolition of visas by the end of October, 1964. The Committee has further recommended that the procedures and formalities regarding the issuance of passports should be simplified and foreign exchange restrictions relaxed for travel within the region. The Committee also recommended that a beginning should be made by setting up three tourist promotion offices abroad to serve the joint purposes of the three countries. The Regional Planning Committee has directed the Committee on tourism to study the question of establishing institutions for training of hotel staff, tourist guides and tourist promotion staff taking into consideration the facilities already available the region.

The Regional Planning Committee identified the following fields in which the possibility of developing *joint purpose ventures* should be examined:

(i) Fertilizers

(ii) Petro-chemicals

(iii) Motor vehicles including commercial vehicles
(iv) Iron and steel
(v) Machine tools
(vi) Electrical Machinery and equipment
(vii) Heavy engineering goods including fabrication of machinery
(viii) Ship-building
(ix) Coal
(x) Electronics
(xi) Drugs and pharmaceuticals (basic manufacture)
(xii) Dye stuffs
(xiii) Chemicals
(xiv) Pulp and paper
(xv) Bank-note paper
(xvi) Aluminium
(xvii) Lubricating oils
(xviii) Agricultural machinery and equipment

The Regional Planning Committee has recommended that individual studies in each of these fields should be made. These studies should relate to markets, economic and technical feasibility, installed and planned capacity and production. The proposed joint ventures should be undertaken in various forms such as joint ownership either in the public or private sectors, ownership by one country or more for making supplies to the other, establishing production facilities in one country for which raw material is produced in the other, long-term purchase agreements based on production facilities in any of the countries.

The Regional Planning Committee emphasized the need and desirability of closer technical cooperation through the exchange of experts and training facilities. Such cooperation, apart from its intrinsic utility, will also promote regional understanding and harmony. The Regional Planning Committee noted that scope for technical cooperation existed in the field of education, agriculture, industries, medicine, communications, community development and public administration.

The Regional Planning Committee recommended that the Secretariat be strengthened so as to make it an effective organization with the responsibility of following up the implementation by the three Governments of the decisions of the RCD. It further recommended that Teheran be made the Headquarter of the RCD for a period of three years.

The next meeting of the Regional Planning Committee which is required to meet at least once every four months is likely to be held some time in January, 1965 in Pakistan.

The Regional Planning Committee noted with great satisfaction the enthusiasm and cordiality with which the Working Groups conducted their task and appreciated the quality and usefulness of their work. The Committee expressed the hope that the implementation of these recommendations will pave the way for much closer collaboration in future and accelerate the pace of the social and economic progress in the region.

COMMUNIQUE
FIRST SESSION OF THE MINISTERIAL COUNCIL
Held in Teheran from October 15 to 16, 1964

The RCD Ministerial Council, composed of the Foreign Ministers of Iran, Pakistan and Turkey with the participation of the other Ministers of the respective Governments held its first meeting in Teheran on October 15th and 16th, 1964 under the Chairmanship of H.E. Mr. H. A. Mansour, Prime Minister of Iran. The RCD Ministerial Council was charged with the responsibility of considering and deciding on measures for regional co-operation among Iran, Pakistan and Turkey as provided in the Joint Statement of the Heads of State of Iran, Pakistan and Turkey who met in Istanbul on July 20th and 21st 1964.

The Foreign Minister of Pakistan His Excellency Mr. Zulfikar Ali Bhutto, and the Foreign Minister of Turkey His Excellency Mr. Feridun Cemal Erkin were received in audience by His Imperial Majesty the Shahinshah and they discussed matters of common interest to their countries.

The Ministerial Council considered the report (RCD/64/MC/D1) of the Regional Planning Committee and expressed their appreciation of the work done by the Working Groups and noted with satisfaction the constructive recommendations of the Regional Planning Committee.

The Ministerial Council took the following decisions:

(i) **Tourism**

The Council approved the recommendations of the Regional Planning Committee on Tourism. The three Foreign Ministers signed a tripartite agreement on tourism and bilateral agreements for the abolition of visas for stays up to three months in the three countries. These agreements are aimed at encouraging an increased flow of tourist traffic and providing practical facilities to the peoples of the three countries to get to know each other and to travel within the region.

(ii) **Air Transportation**

The Ministerial Council, in pursuance of the decision taken with regard to the principle of the setting up of a joint airline, directed the Regional Planning Council to complete the necessary studies in this respect and instructed the Committee on Air Transportation to submit a preliminary report to the Regional Planning Council as early as possible.

(iii) **Shipping**

The Ministerial Council approved the recommendations of the Regional Planning Committee on Shipping and expressed the hope that the Committee on Shipping will complete their studies very early.

(iv) **Roads and Railways**

The Ministerial Council approved the recommendations of the Regional Planning Com-

mittee on Roads and Railways and instructed that high priority be given to important roads and railways connecting the three countries.

(v) **Post, Telegraph and Telecommunications**

The Ministerial Council approved the recommendations of the Regional Planning Committee on Post, Telegraph and Telecommunications. It decided, *inter alia*, that intra-regional Postal and Telegraph rates should be reduced to the level of internal rates. It also decided that charges for telephone calls should be substantially reduced.

(vi) **Banking and Insurance**

The Ministerial Council approved the recommendations of the Regional Planning Committee on Banking and Insurance including the proposal to establish three insurance pools in the three countries for covering re-insurance business in marine, fire and aviation.

(vii) **Petroleum**

The Ministerial Council approved the recommendations of the Regional Planning Committee on Petroleum. In this connection, Iran expressed its readiness to extend to the other two countries its cooperation to the limits of its possibilities.

(viii) **Trade**

The Ministerial Council approved the recommendations of the Regional Planning Committee on Trade which provides, *inter alia*, for the establishment of a joint Chamber of Commerce. The Council expressed the hope that concrete steps will be taken as soon as the necessary studies have been completed.

(ix) **Cultural Cooperation and Information**

The Ministerial Council approved the recommendations of the Regional Planning Committee on Cultural Cooperation and Information. The Council decided to establish a Regional Cultural Institute in Teheran early next year, with the object of carrying out systematic research in the common historical and cultural heritage of the member countries. The Council also noted with satisfaction the creation of the RCD Information Agency.

(x) **Joint Purpose Enterprises**

The Ministerial Council approved the recommendations of the Regional Planning Committee on the subject of joint purpose ventures which are to be referred to as joint purpose enterprises.

(xi) **Technical Cooperation**

The Ministerial Council approved the recommendations of the Regional Planning Committee on Technical Co-operation.

(xii) **Organizational Structure and Secretarial Arrangements**

The Ministerial Council approved the establishment of the RCD Secretariat in Teheran. It would be headed by an Executive Secretary from Iran for a period of three years.

(xiii) The Ministerial Council decided that the Regional Planning Committee should henceforth be called the Regional Planning Council and that its "Working Groups" should be called "Committees."

The Council noted with satisfaction and welcomed the interest shown abroad in RCD and its purposes.

The Council discussed the possibilities of increased cooperation and mutual assistance in the field of their foreign diplomatic, consular and commercial representations. It decided that a study of such possibilities be undertaken by the 3 Governments. In the case of countries where one or/two Government(s) does/do not have, for the present, diplomatic, consular or commercial representations, it was proposed that adoption of bilateral arrangements should be studied in order that one mission may look after the interests of the other Government or Governments.

The Ministerial Council expressed satisfaction at the progress made in regional cooperation in the short space of three months. They re-affirmed their belief that RCD embodied the spirit of the U.N. Charter and served the purposes of the United Nations in promoting peaceful international collaboration. They considered that the RCD is an illustration of what can be achieved through regional cooperation by developing nations who are striving for accelerated economic development and progress. In this connection the Council noted that the progress made by RCD reflects the genuine desire of the peoples of the three countries for fruitful collaboration.

The Foreign Ministers of Pakistan and Turkey expressed on behalf of their Delegations, warm thanks to His Imperial Majesty's Government for the cordial and generous hospitality accorded to them during their stay in Teheran.

The Council decided that its next meeting will be held at Karachi in February 1965.

COMMUNIQUE OF THE SECOND SESSION OF THE REGIONAL PLANNING COUNCIL

Held at Islamabad on March 13 to 16, 1965

The RCD Regional Planning Council held its second session at Islamabad from March 13 to 16, 1965, concluded its deliberations to-day. Mr. Said Hasan, HQA., Deputy Chairman, Planning Commission, presided over these meetings. Iran was represented by H.E. Javad Mansour and Turkey by H.E. Enver Ergun and H.E. Ozdemir Benler.

2. The Regional Planning Council considered matters relating to Trade; Air Transportation; Shipping, Post, Telegraph and Telecommunications: Roads and Railways; Tourism; Petroleum; Banking and Insurance; Technical Co-operation, Joint Purpose Enterprises, Administration and Management; Cultural Co-operation, and Information. There was complete unanimity and understanding with regard to the measures which should be taken to progress co-operation in these sectors.

3. A resume of the conclusions reached by the Regional Planning Council is indicated in the following paragraphs:

Trade

4. The Regional Planning Council approved the draft of the constitution of the RCD Chamber of Commerce and Industry. It is expected that the RCD Chamber will start operation very soon. This Chamber will, *inter alia*, establish common show rooms, and promote the exchange of lists of importers and exporters of those items which can enter the trade of these countries.

5. There will be a regular flow of information on different aspects of trades activity between the three countries. Joint export policy and joint marketing arrangements are envisaged for common products such as chrome ore, carpets, cotton textiles, dried raisins, pistachio nuts, dried apricots, and rice.

6. Studies will also be carried out for expanding the trade of manufactured goods including electric goods, glass and glassware, cutlery, trucks and buses and cotton textiles. The three member countries will take suitable action in conformity with their foreign trade regimes to facilitate the import from each other of certain items which have been specified.

7. The Regional Planning Council noted that progress has been made in the implementation of earlier decisions in respect of trade. The draft constitution of the RCD Chamber of Commerce and Industry has been drawn up; a Trade agreement between Pakistan and Turkey has been signed; and a Domicile, Transit and Trade agreement between Iran and Pakistan awaits ratification.

8. Member countries will make determined efforts to achieve substantial results in promoting intra-regional trade, which is a very promising field of co-operation.

9. The next meeting of the Committee on Trade will be held in Turkey from June 21, 1965.

Air Transportation

10. The Regional Planning Council decided that the Committee on Air Transportation will be held in Turkey on May 3, 1965 to consider proposals relating to the establishment of a joint airline. The Regional Planning Council noted that exchange of views on legal, technical and other matters had taken place amongst the representatives of the three countries.

Shipping

11. A Conference will be established by the shipping companies of Iran, Pakistan and Turkey and its arrangements will be put into operation before the year is out. Pakistan's share entitlement in the Conference would be 50%, Turkey's 35% and Iran's 15%. The Headquarters of the Conference will be located at Istanbul. The establishment of such arrangements marks a landmark in RCD Co-operation. The availability of adequate shipping facilities will fill a grave lacuna in the existing transport arrangements or carrying goods of member countries that enter into intra-regional and inter-regional trade.

Technical Co-operation

12. The Regional Planning Council identified the wide scope for technical collaboration between the three countries and observed that the provision of experts and training facilities will, apart from their intrinsic utility, promote greater understanding and harmony between the three countries.

13. One of the most important items discussed by the Regional Planning Council was the text of a general agreement on technical co-operation. The Regional Planning Council approved the provisions of this agreement. This agreement will form the basis of administration of the technical assistance programme.

14. Considerable progress has already been made in the field of technical co-operation by exchanging inventories of training facilities, experts, and advisory services available in the three countries.

15. It has been agreed that due priority will be given by Iran, Pakistan and Turkey to technical co-operation under the aegis of RCD.

16. The Committee on Technical Co-operation will meet in Tehran from June 14, 1965. It will, *inter alia*, consider the inclusion in the RCD Technical Assistance programme the recommendations of the various RCD committees, such as those on Banking and Insurance; post, Telegraph and Telecommunications; Roads and Railways; and Shipping.

Joint Purpose Enterprise

17. Nineteen different types of industries have been identified as possible joint purpose enterprises. They include a wide range covering cement, sugar, locomotives, motor vehicles including commercial vehicles, iron and steel, machine tools, electrical machinery and equipment, heavy engineering goods including fabrication of machinery, ship building, coal, electronics, drugs and pharmaceuticals (basic manufacture), dye stuffs, chemicals, pulp and paper, bank note paper, aluminium, lubricating oils and agricultural machinery and equipment. A detailed questionnaire in respect of the above mentioned industries has been formulated and member countries were requested to supply the required information by May 15, 1965 if they had not already done so. The Committee on Joint Purpose Enterprises has been authorised to allocate studies to member countries on these industries. These studies will be undertaken by member countries on a regional basis.

18. An expret body shall examine and report on the desirability of standardisation of specifications in the member countries including those of common export goods. This Sub-Committee will meet at Karachi from May 17, 1965.

19. In view of the magnitude of co-operation in the field of the petrochemical industries, the Regional Planning Council decided that a Committee on Petrochemical Industries should meet at Tehran from June 9, 1965. It will, *inter alia*, consider further progressing of the recommendations made by the Committee on Joint Purpose Enterprises with respect to the petrochemical industry.

20. The next meeting of the Committee on Joint Purpose Enterprises will be held at Tehran from June 18, 1965.

21. The Regional Planning Council reiterated the importance of Joint Purpose Enterprises; it felt sure that member Governments would take the fullest possible advantage of the vast vistas of fruitful co-operation in this field.

Post, Telegraph and Telecommunications

22. Ten different places on the Iran-Turkey border and the Iran-Pakistan border have been identified for opening post, telegraphs and telecommunication offices. A Special Commemorative stemp on RCD will be issued by each postal administration on the 21st July, 1965, the first anniversary of the Istanbul Summit Conference. Air surcharges of letter mail will be reduced to the internal level by the three countries if a joint airline starts operating. Close liaison will be maintained between the post, telegraph and telecommunications administrations of the regional countries to facilitate introduction of automatic trunk dialing between Karachi, Rawalpindi, Tehran, Ankara as soon as the Karachi-Tehran-Ankara microwave system has been brought into commission after necessary tests which are in progress at present. Study on the question of satellite communications will continue. The three countries have already taken necessary action to provide additional facilities of high frequency and other related equipment to cater to the increased traffic anticipated between Pakistan, Iran and Turkey.

Roads and Railways

23. The Regional Planning Council noted with satisfaction that encouraging and satisfactory progress is being made on the road and rail link joining three countries and that work on the approved projects will be completed by the target date of 1968. The Regional Planning Council emphasised once again the importance of the road links and expressed the hope that the progress of work on the construction of the various road links will be maintained at an accelerated pace.

24. Information is being exchanged between the three countries with regard to the manufacturing capacity for coaches and railway wagons so that trade is made possible between the three countries in these items.

Tourism

25. The Regional Planning Council made some 14 recommendations on specific details for promoting tourism among Iran, Pakistan and Turkey and towards the region. These included simplication of travel documents, uniformity of customs regulations and procedures, establishment of Tourist Bureau, close liaison among the travel agents of the RCD countries, exhibitions, fairs, cultural shows and symposia. The Regional Planning Council noted that the implementation of these recommendations will help greatly the promotion of collaboration in the field of tourism.

Banking and Insurance

26. In the field of banking and insurance the applications of Pakistan banks who have expressed wish to open branches in Iran and Turkey will be given favourable consideration. Though it was not considered as immediately realisable, possibilities of establishing a RCD Commercial Bank by the banking companies and/or Governments of the three countries will be explored. A joint technical assistance programme has been drawn up in respect of industrial and agricultural credit institutions.

27. The RCD Insurance Centre has been set up in Pakistan with the following functions:

a) to serve as a thinking cell for formulating proposals for further RCD collaboration in insurance;
b) to serve as the main channel for exchange of information and personnel among the reinsurance corporations, insurance companies and insurance associations of the three countries;
c) to prepare a common Insurance Year Book;
d) to serve as a channel for facilitating exchange of business among insurance companies and reinsurance corporations of the three countries; and
e) to organise certain joint projects like seminars in the three countries.

This Centre will commence operations within the next three months or so.

28. A Technical Committee has been set up to make a detailed study on the establishment of the three reinsurance pools. This Committee will be meeting in Tehran from May 1, 1965. It will report to the Convenor of the Committee on Banking and Insurance who will take appropriate action in consultation with the three member Governments.

Administration and Management

29. The Regional Planning Council considered that Public Administration and Management is a field in which mutual co-operation and collaboration could play a useful role in the achievement of RCD objectives. The Regional Planning Council has established a Working Group which will meet in Pakistan from May 20, 1965. The Regional Planning Council has suggested that member Governments should send their senior administrators to attend the meeting of the working group.

Cultural Co-operation

30. The Regional Planning Council considered that Cultural Co-operation is an extremely useful sphere of RCD activity since the very basis of the three countries getting together was their common cultural heritage, traditions and outlook to life.

31. The Regional Planning Council expressed satisfaction at progress made in the field of cultural co-operation. The Regional Cultural Institute at Tehran had got to a good start. A colloquium on the reappraisal of the meeting and importance of the "Common Culture Heritage" was held recently in Tehran. A colloquium on "Common Problems of Economic Growthe will be held in Pakistan from April 21, 1966, and that on "Common Problems in Education" will be held in Turkey from May 14, 1965. A joint exhibition of photographic exhibits dealing with architecture and common cultural heritage will be held at Tehran from June 14, 1965. Steps have been taken to eliminate misleading interpretations of history and promote greater understanding and common interest arrangements are being made to increase the teaching of the history, language, civilisation, and culture of the member countries

in their Universities. Cultural Centres are being established by each member country in the others. Scholarships are being provided. Lecturers and Artists are being exchanged, and visits by more cultural delegations are being arranged. Obstacles in the movement of free exchange of books and films have been removed.

32. The Regional Planning Council has decided that the Committee on Information should normally meet once a year to advise on policies, programmes and their implementation in the fields of Information and Publicity.

33. The Director-Generals of the respective national radio organisations will contact each other to study the possibility of exchange programmes and personnel, for wider coverage of information about joint production programme and exchange for the publication in its radio journals of the external programmes of the other two member countries. Listeners' penal will be organised and studies conducted to improve technical facilities for reception in order to exchange expert technical data. An agreement is envisaged between the three national news agencies for the exchange of news, photos and feature materials. Press Attaches in the three countries will jointly study ways and means of collaboration for furthering the projection of RCD image.

Future Meetings

34. The next meeting of Regional Planning Council will be held in Turkey.

35. In its concluding session the Regional Planning Council noted with gratification the progress made in the fields of economic and cultural co-operation under the aegis of RCD. The regional Planning Council felt sure that the spirit of co-operation which prevailed during its deliberations indicates that the spirit of RCD continues to be a living force, which will ensure effective planning and implementation of the measures necessary to promote such co-operation.

36. The Heads of the delegations from Iran and Turkey placed on record their deepest appreciation for the excellent arrangements made and gracious hospitality extended by the Government of Pakistan. They expressed their warmest appreciation for the distinguished manner in which H.E. Mr. Said Hasan, HQA., the Chairman had presided over the proceedings of the Council. They said that since the RCD Regional Planning Council meeting was the first international conference to be held in Islamabad they regard it as a symbol of the fraternal relations that exist between the three countries.

COMMUNIQUE OF THE SECOND SESSION OF THE MINISTERIAL COUNCIL

Held at Islamabad on March 18 to 19, 1965

The Second Session of the Council of Ministers of the Regional Co-operation for Development was held at Islambad on March 18-19, 1965.

2. The Inaugural meeting of the Council was presided over by His Excellency Field Marshal Mohammad Ayub Khan, N.Pk., H.J., President of Pakistan. The members of the Council expressed their deep appreciation for the presence of the President of Pakistan in their midst and paid tribute to the sentiments expressed in his address.

3. H.E. Mr. Zulfikar Ali Bhutto, H.Pk., Foreign Minister of Pakistan presided over the meetings of the Council. H.E. Mr. Abbas Aram, Foreign Minister of Iran, led the Iranian delegation. In the absence of His Excellency Hasan Isik, who was unable to leave Turkey on account of the recent developments on the Cyprus issue, H.E. Mr. Sinasi Orel, Ambassador of Turkey in Pakistan led the Turkish delegation.

4. The Council recorded its deep sense of sorrow and loss at the untimely and sad demise of the late Prime Minister of Iran, Hassan Ali Mansour, who played a most notable role in the establishment of RCD. Glowing tributes were paid to his memory by the President of Pakistan and by the leaders of the three delegations. The Council conveyed its sincere condolence and feelings of sorrow to the bereaved family through his brother, H.E. Mr. Javad Mansonr, who was participating in its meetings.

5. The two-day deliberations of the Council were conducted in a spirit of sincerity, cordiality and brotherhood. The leaders of the three delegations reaffirmed their faith in RCD as an instrument of peaceful regional co.operation which held great promise for the future of the peoples of the region. They reiterated their determination to achieve the aims and purposes of RCD laid down at the Summit meeting of the Heads of States of Iran, Pakistan and Turkey, held at Istanbul in July, 1964.

6. The Council of Ministers approved the Report of the Regional Planning Council at its Second Session held at Islamabad, March 13-16, 1965.

7. The Council expressed satisfaction on the progress achieved by RCD. It noted with appreciation the reduction in postal and telegraph rates among the three countries, the abolition of visas, the conclusion of a tourist agreement, agreement on principles of administering the RCD technical assistance programme, the exchange of inventories of training facilities and expertise, the holding of a symposium in Common Cultural Heritage and the appointment of the Governing body of the Regional Cultural Institute.

8. The Council of Ministers expressed its appreciation of the work done by the Regional Planning Council under the Chairmanship of Mr. Said Hasan, HQA., Deputy Chairman, Planning Commission. In particular it noted with satisfaction the agreement on the principles of establishing a Shipping

Conference among the three countries before the end of this year, the establishment of an RCD Chamber of Commerce and Industry, arrangements for the establishment of RCD Insurance Centre, arrangements for closer co-operation in the field of public administration, and information and public relations.

9. The Council of Ministers approved the appointment of His Excellency Mr. Fuad Rouhani as Executive Secretary of RCD Secretariat for a period of three years with effect from March 18, 1965, and expressed its confidence in his ability to discharge his duties successfully. The Council expressed its appreciation to the Government of Iran for having placed such a senior and experienced officer at the disposal of RCD Secretariat.

H.E. Mr. Fuad Rouhani expressed his appreciation to the Council and assured that he would devote himself whole-heartedly to serve RCD.

10. The Council expressed its appreciation of the Secretariat arrangements for RCD provided so far by the Plan Organization of Iran. It placed on record its recognition of the excellent work done by the former Director of RCD Secretariat, Dr. Javad Vafa.

11. The Council noted with satisfaction that economic and cultural cooperation under the aegis of RCD had gathered momentum. It approved new procedures aimed at expeditious implementation of the recommendations.

12. The Council noted that member Governments are making appropriate arrangements to celebrate the first Anniversary of RCD on July 21, 1965. The Council decided to hold its next session in Turkey from July 21st, 1965. It will be preceded by a meeting of the Regional Planning Council which will also be held in Turkey from July 15th, 1965.

13. The delegations of Iran and Turkey expressed their appreciation of the arrangements made for this Conference at Islamabad and of the excellent manner in which H.E. Mr. Bhutto conducted the deliberations of the Council. They expressed their keen interest in the striking development of Islamabad, the new capital of Pakistan. They also expressed their admiration at the pace of economic and social development in Pakistan under the outstanding leadership of H.E. Field Marshal Mohammad Ayub Khan, President of Pakistan.

14. The leader of the Pakistan delegation expressed the gratitude of the Government of Pakistan to the leaders of Iranian and Turkish delegations for their most valuable contribution to the successful outcome of the deliberations.

15. The Council of Ministers expressed confidence that the forces generated by RCD would continue to bring to bear a fresh and dynamic approach on the development of the region.

16. The leaders of the Iranian and the Turkish delegations expressed their deep appreciation to the Government of Pakistan for their cordial and generous hospitality accorded to them during their stay in Islamabad.

FEROZSONS, KARACHI.

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